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Daily Report

China

FBIS-CHI-93-056
Thursday
25 March 1993

Daily Report

China

FBIS-CHI-93-056

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25 March 1993

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General

Report on President Clinton-Kozyrev Meeting

OW2403230993 Beijing XINHUA in English
2145 GMT 24 Mar 93

[Text] Washington, March 24 (XINHUA)—U.S. President Bill Clinton met today with Russian Foreign Minister Andrey Kozyrev and spent the "bulk" of their conversation planning the coming summit with Russian leader Boris Yeltsin.

"The President made it clear...that the United States stands firmly by those in Russia who are trying to remake their country and to bring democracy and free market to that great and historic land," Stephanopoulos said.

"They had an excellent conversation about the forthcoming summit in Vancouver, the situation in Russia today, and the very close and supportive relations between the United States and Russia," White House Spokesman George Stephanopoulos said.

During the meeting, which was also attended by U.S. Secretary of State Warren Christopher, Western aid to Russia was also discussed, but Stephanopoulos refused to give any details.

Prior to the meeting with Kozyrev, Clinton telephoned British Prime Minister John Major and Canadian Prime Minister Brian Mulroney on emergency assistance to Russia, the spokesman said.

"The gist of the conversations were what can these countries do to help Russia, what can the G-7 [Group of Seven] nations do now to promote the process of reform and democratization in Russia," Stephanopoulos said.

Clinton has yet to convince the Congress to grant a proposed sum of 300 million U.S. dollars besides the 417 million dollars budgeted this year for helping Russia and other former Soviet republics.

"It is very much in our interest to keep Russia a democracy, to keep moving toward market reforms, and to keep moving toward reducing the nuclear threat," Clinton said before the meeting with Kozyrev.

"It will save the American people billions of dollars in money we don't have to spend maintaining a nuclear arsenal if we can continue to denuclearize the world. It will make the American people billions of dollars in future trade opportunities," he added.

Clinton and Yeltsin were scheduled to meet on April 3-4 in Vancouver, Canada.

"This will be the President's first official meeting with President Yeltsin and his first trip abroad as President, an indication of the importance of Russia to the United States," Stephanopoulos said.

Kozyrev Receives Assurances

OW2503062093 Beijing XINHUA in English
0606 GMT 25 Mar 93

["Round-up" feature]

[Text] Washington, March 24 (XINHUA)—Russian Foreign Minister Andrey Kozyrev left here today after receiving U.S. assurances of support for Russian President Boris Yeltsin.

Kozyrev's visit to Washington came at a time when Yeltsin and the Russian Congress of People's Deputies are engaged in a fierce struggle for power.

During talks with U.S. President Bill Clinton and Secretary of State Warren Christopher, Kozyrev was assured of Washington's support for "the economic and political reforms that have been set forth in this process by President Yeltsin."

"The success of this historic effort in Russia is of great importance to the United States, and is a reflection of the partnership between the United States and Russia," Christopher said at a press conference before Kozyrev's departure.

Although "the principal reason" for their get-together was reported to be preparations for a summit between Clinton and Yeltsin scheduled for April 3-4 in Vancouver, Canada, Christopher and Kozyrev also discussed the Middle East peace process and the conflicts in former Yugoslavia.

"This kind of partnership will serve the interests of our two countries as well as the world as a whole," Christopher said.

During a speech at the American University in Washington earlier in the day, Kozyrev proposed that Russia join the G-7, a grouping of major industrialized countries—the United States, Britain, France, Italy, Germany, Canada and Japan.

Despite an acknowledgement that "Russia has a very important role in connection with the upcoming G-7 meeting," Christopher expressed only a hope that the Russians "will be included in the preparations." President Clinton proposed only to "let's just see what happens."

Although it has promised to offer an "aggressive and quite specific" aid package for Russia, the United States has disclosed few details of its plan.

According to Kozyrev, he was told by Clinton that the "notion of providing help is unpopular in the United States."

The Clinton administration had earlier proposed that the Congress grant an additional 300 million U.S. dollars in aid to Russia beyond the 417 million dollars budgeted for fiscal 1994.

At a time when America is seeking to reduce both its budget and its mounting government deficit, the Clinton administration has yet to convince the lawmakers as well as the American people to agree with more assistance to Moscow.

However, Clinton's argument has been that it would be possible to "save the American people billions of dollars in money we don't have to spend maintaining a nuclear arsenal if we can continue to denuclearize the world. It will make the American people billions of dollars in future trade opportunities."

The United States has also been pressing its major Western allies to help assist Russia. Clinton had separate telephone conversations with British Prime Minister John Major and Canadian Prime Minister Brian Mulroney Wednesday [24 March] morning and it was reported that the "gist of the conversations...were what can the G-7 nations do now to promote the process of reform and democratization in Russia."

British Foreign Secretary Douglas Hurd and German Chancellor Helmut Kohl also are about to join in these discussions.

Hurd is to meet with Christopher on Thursday and Kohl starts a "working visit" to Washington on Friday. The German chancellor will be the third European leader after Major and French President Francois Mitterrand to come here since Clinton moved to the White House.

Chen Xitong Receives IOC Member Poulsen

OW2403171793 Beijing XINHUA in English 1509
GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—Chen Xitong, president of the Beijing 2000 Olympic Games Bid Committee met Olaf Poulsen, member of the International Olympic Committee, here Wednesday evening.

During the meeting, Chen, former mayor of the capital city, presented Beijing's bidding reports to Poulsen, who is also the president of the International Skating Union.

Poulsen, from Norway, is attending the world short-track speedskating championships starting here on Friday [26 March].

World Bank President Schedules 10-Day Visit

OW2403233093 Beijing XINHUA in English 2211
GMT 24 Mar 93

[Text] Washington, March 24 (XINHUA)—World Bank President Lewis Preston is scheduled to start his first 10-day visit to China in his current capacity from April 3, it was announced here today.

During the visit, the 66-year-old president is to meet with Chinese leaders and bank officials, visit provinces, and get a better understanding of China's economic development, World Bank Vice President for East Asia and Pacific Region Gautam Kaji told a press conference.

"He is going to see the development in China since the late 1970s...and to get a better appreciation of China's economic agenda and what has been done," the vice president explained.

The World Bank's loan to China totaled 2.5 billion U.S. dollars in 1992, and the loan to the world's most populous nation is expected to remain the same this year, the vice president said.

"(The 1992 loan) is historically the largest loan that the World Bank has ever granted to China," he stressed.

Lewis Preston, who used to be the president of J.P. Morgan, a New York bank, became the World Bank president in September 1991. He visited China many times before.

Vice President Kaji said that the emphasis of World Bank's aid to China is "to help with the country's current economic reform, eliminate its poverty and protect environment."

"The World Bank is satisfied with its dialogue with China over the years, which has been very open and productive," the vice president said.

He said that China has done "remarkably well" since the late 1970s in its reform, which can be seen clearly in the growth of its gross national product, its poverty reduction, the economic open-up and economic structural changes.

He said the bank supports China's effort of moving towards a convertible currency, scaling down the military forces and reducing its trade surplus with foreign countries.

Among World Bank's loan to China, 25 percent goes to agriculture, 40 percent is in the field of infrastructure, energy and transportation, 10 to 15 percent goes to social sector and environmental protection, sources said.

"There are still a number of sectors that have not been granted loans from the World Bank," Kaji said.

He said that the World Bank understood that China's industrial sector is no longer dominated by the state, and the urban reform is now "the most difficult" for the country.

China's economy grew at eight to nine percent in the 1980s. The growth rate of the country's gross national product was at 12.8 percent in 1992, the highest among most developing countries.

The vice president said that the People's Bank of China, the country's central bank, is now better equipped to handle such situations as inflation and over-heated economic growth than five years ago.

In response to a reporter's question, the vice president disclosed that Beijing has not asked for World Bank loans to shore up the country's Three Gorges Project, which has been approved by China's central authority.

Security Council Delays Bosnia No-Fly Zone Vote
OW2503014993 Beijing XINHUA in English 0044
GMT 25 Mar 93

[Text] United Nations, March 24 (XINHUA)—The U.N. Security Council today postponed its vote on a draft resolution on the use of force to ban military flights over Bosnia and Hercegovina.

The vote on the draft resolution, prepared by France and five other countries, was to authorize member states to "take all necessary measures" to ensure compliance with the ban on such flights established by a council resolution adopted last October.

However, vote on the draft resolution was postponed by the council last Friday [19 March] to Monday for reasons that "further consultations are needed."

On Monday, the vote was further postponed to Tuesday and on Tuesday night, it was again delayed until Wednesday. Council sources said the postponement was requested by the Russian ambassador to the United Nations.

On Wednesday, reporters were told that the vote was canceled. No new date was set and no explanation was given. Council sources said that the postponement was again proposed by the Russian delegation.

Observers here were trying to link the delay with the situation in Moscow as well as the talks between Russian Federation and the United States in Washington.

In a related development, the spokesman for the U.N. secretary-general Joe Sills told reporters this afternoon that a U.N. force commander in Bosnia and Hercegovina had expressed concern about the "negative consequences" for the move in the Security Council.

In a cable to the secretary-general, which is available here today, the U.N. Protection Force (UNPROFOR) Commander Lars-Eric Wahlgren said that he was particularly concerned that the delivery of humanitarian aid would be seriously jeopardized.

He also said that he was deeply worried about the safety and security of UNPROFOR's military observers and civilian personnel in the region.

He also noted that so far the aerial activity "has had no significant impact on the military situation."

Castro Says Cuba Willing To Improve U.S. Ties
OW1803223593 Beijing XINHUA in English 1651
GMT 18 Mar 93

[Text] Havana, March 18 (XINHUA)—Cuban President Fidel Castro reaffirmed that his country is willing to improve relations with the United States.

In a letter to a group of U.S. students, which was disclosed here Wednesday [17 March], the president said

that no one believes that Cuba presents a threat to a superpower such as the United States.

Therefore, he said, it is unjust for the United States to impose an economic blockade against Cuba, where children are suffering from the sanctions.

The letter is addressed to Ron Squire, a Lafayette High School history teacher, whose student had sent a letter to the Cuban president.

Castro said that Cuba is willing to contribute, at any time, to the normalization of relations between the two countries but the normalization should be realized on the basis of mutual respect and without any preconditions.

Second Article on International Relations in 1992
HK1501090093 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 50, 14 Dec 92 pp 25-29

[Articles by Zi Zhongjun (6327 0022 4596) and others: "The World Amid Great Changes (Part Two)"; Part One, entitled "Scholars, Experts Discuss World Situation," was published in the 30 December 1992 China DAILY REPORT, beginning on page 1; first paragraph is editor's note]

[Text] Following the disintegration of the Soviet Union, drastic changes have taken place in the world. The world is now in a historical period of fundamental changes. How on earth we view both these changes and the evolutionary trends is at once a question of common concern and a question concerning our readers. For this reason, our magazine and the International Research Center of XINHUA News Agency jointly invited recently some well-known experts, scholars, editors, and reporters, who are familiar with international questions, to a "World Amid Drastic Change" symposium. In the preceding issue of this magazine, we published five articles written by participants in the symposium. Now we offer a few more articles in the current issue.

The United States Is Confronted With a New and Complex Situation

Not long ago, I spent 10 months carrying out investigations in the United States. I noticed that due to the recent economic recession, ordinary American people generally feel that the present is inferior to the past. The younger generation especially feels that, compared with their fathers and elder brothers in the past, they now face more difficulties in looking for jobs and homes when they enter society. While most colleges in the United States are suffering from a lack of funding, certain social evils, such as drugs, crimes, racism, and others, have been running more rampant on campuses than ever before. Moreover, U.S. international competitiveness has also declined. U.S.-Japanese economic frictions have further intensified. I still remember that almost every one I met when I first arrived in the United States in January of this year was talking about Japan. Kiichi

Miyazawa said: "The Americans now have a problem with their 'work ethic.'" Miyazawa's remarks immediately caused widespread repercussions. The U.S. news media reacted strongly to his remarks. An American worker was seen on television challenging his Japanese counterpart to a contest to determine which one could do more in a single work day. At the time it seemed as if the Japanese leader had humiliated the Americans. As a matter of fact, it was nothing so serious. After a few months, the strong sentiment died down. However, some people started talking about preventing American anti-Japanese sentiments from getting out of control. It is expected that U.S.-Japanese contradictions and conflicts will continue in the years to come. However, it is unlikely that they will develop to an irreconcilable extent. My general impression is that, in comparison, the United States is not as strong now as it was immediately after the end of the Second World War when it was the predominant force in the world. However, we still cannot say that it is on the decline and has no hope of regaining its predominance. Moreover, in terms of absolute strength, when compared laterally with such generally acknowledged powers as Germany and Japan, the United States still possesses superior comprehensive national strength, unique natural resources, and abundant social resources. It has the most advanced science and technology in the world. In particular, it attracts talent from all over the world. At the moment, it is attracting a large number of outstanding and senior scientific and technological personnel from the former Soviet Union, who are indeed its sudden fortune. So long as this status quo remains, the United States will be able to continually demonstrate its unique superiority and latent potential in future global competition focused on economic competition.

On the other hand, with the collapse of one of the two superpowers will the United States become the only superpower that can dominate the world? After a comprehensive analysis of various factors, I believe that it is now more difficult for the United States to dominate the world than in the past when the two superpowers were locked in their global contention. In the past, the United States had only one enemy, namely, the Soviet Union. Relations among its allies were also clear: No matter how serious their disputes were, its allies, including both Japan and the West European countries, were in need of the nuclear umbrella. Now the situation has changed. The old world pattern is gone, with the result that nationality contradictions, obscured in the past by both ideology and the cold war atmosphere, have now surfaced. This new situation is a new challenge to the United States. This is because the United States still considers itself a world leader and thinks that it shoulders a unique responsibility for solving problems anywhere in this world, because those problems adversely affect its interests. However, it has now found it more difficult than ever before to exert its influence in this regard. The international situation has become more complicated than ever before, and it has become more difficult for the United States to cope with. It seems that, while it is

trying hard to maintain its position as the sole superpower in the world, the United States has also realized that it is now hardly possible for it to do whatever it likes on its own and that it needs cooperation from other countries as in the Gulf war. This new situation is indeed different from that encountered by the Reagan administration. Reagan emphasized the enhancement of U.S. national strength, participated in the arms race, and strived for the so-called "revitalization of our national might." Internationally, Reagan practiced "unilateralism" and acted arbitrarily with the belief that so long as the United States took the lead in confronting the Soviet Union its allies would follow suit. And whenever it had to compromise with the Soviet Union, its allies would offer their cooperation. As a result, the United States seldom cared for the wishes and interests of other countries. In fact, in its final days, the Reagan administration realized that such a policy could not work and that it should change its methods. The situation now is even more complicated.

Economically, the Americans know about their own weaknesses only too well. George Bush's failure to be reelected president in the latest presidential election was due to the serious economic problems at home. Economic growth itself is cyclical. Perhaps, George Bush was unlucky. The United States experienced sustained economic recession in this election year. Meanwhile, George Bush also made mistakes: He stubbornly refused to recognize that the U.S. economy was performing badly. Instead, he emphatically stated that the U.S. economy was performing well in real terms. He tried hard to defend his own political achievements, but failed to win the trust of ordinary people. Besides, since the Republican Party had been in power for 12 years, a host of problems had accumulated. The people wanted to see a change. It was under these circumstances that Bill Clinton was elected U.S. President. Former U.S. President Jimmy Carter was one of the principal speakers at this year's Democratic Party Convention. In his speech, the former president comprehensively criticized the Republican government's domestic and foreign policies, mentioning such problems as the fiscal deficit, the disparity between rich and poor, the high unemployment rate, and so on, and accused the Republican Party of plundering the poor to feed the rich, inappropriately engaging in arms expansion, carrying out armed intervention in other countries, and so on. Will all these problems be solved after one political party is replaced by another? Fundamentally speaking, it is difficult to say. Of course Bill Clinton will adopt a number of new measures. However, there will only be a little room for maneuver. Traditionally, the Democratic Party and the Republican Party follow two totally different policy orientations. While the Democratic Party advocates big government that intervenes in the economy and cares little about deficits, the Republican Party advocates small government that allows private enterprises to play their role and is more concerned about deficits. However, it is three consecutive Republican governments that have raised the fiscal deficit from \$73.8 billion in

1977 to nearly \$300 billion at the moment. Given such circumstances, the Democratic Party will have only limited room for maneuver. First and foremost, it will have to reduce the deficit or, at least, try to prevent the deficit from soaring; second, it will have to honor its commitment to assist the poor and refrain from cutting welfare and social security expenditures; third, the Democratic Party has all along called for arms reduction. However, this policy contradicts its policy to create more employment opportunities to a certain extent. A big cut in the number of orders for military equipment will only result in the collapse of the defense industry, thereby raising the unemployment rate. Besides, the defense industry remains a vital sector in a world fraught with troubles. On the one hand, there are still many people living below the poverty line in the United States; on the other hand, the expensive welfare system has caused a host of problems. Bill Clinton once pledged to take reform measures to tackle such problems. However, he will no doubt encounter enormous difficulties in doing so, and his reform measures are unlikely to yield the desired results in the foreseeable future. This is why Bill Clinton changed his tone at the first press conference he held after winning the U.S. presidential election. He stressed that since the problems have been inherited from the past, it is impossible to have all of them resolved within a short period of time. It seems that after his inauguration the new President will take a more realistic approach to both domestic and foreign issues.

Europe Is Undergoing Profound Changes

The changes that have taken place in Europe in 1992 have indeed been startling. They include the civil wars in the former Yugoslavia; the aborted ratification of the Maastricht Treaty; the currency crisis; the social, political, and economic disorders in both Eastern Europe and the CIS; growing fascism in Germany, and so on. How on earth should we view and analyze this situation in Europe?

With the end of the East-West confrontation and the division of Europe, new disorders have emerged. However, the predominant trend is a unified and integrated Europe with the EC as its nucleus. The European Economic Area set up jointly by the EC and the European Free Trade Association [EFTA] has been extended to 19 countries and is being extended to Eastern Europe, where Poland, Hungary, and Czechoslovakia have been listed as associate countries. As a result, the EC has become at once the cornerstone of stable relations among various European countries and the cornerstone of a stable Europe.

Of course, since Europe is still troubled by the movement of complex forces after the original balance has been upset, new contradictions, domestic disorders, crises, and even civil wars will certainly emerge with the result that Europe will become a "troubled continent" in the world.

At present, Europe is facing three major problems: First, the process of European integration has come to a

standstill; second, nationalism has revived; three, the former Soviet Union and Eastern Europe have experienced difficulties in their structural transformation.

As regards European integration, after the Maastricht Treaty was rejected by the Danish referendum, a heated debate broke out on whether it was necessary to form a European union. As a result, the implementation of the Maastricht Treaty has been postponed. Planned economic, currency union, and political union is unlikely to be set up on schedule, and a few core countries might choose to take the first step toward this end. Other countries might gradually follow suit as the two proposed unions evolve. European integration is expected to evolve in three phases: First, building a big single market. A single market coupled with an economic area comprising 19 countries will probably have been built by the end of 1992 or the start of 1993. Second, expand the EC. By the mid-1990's, most of the member countries of EFTA will have joined the EC. Third, to further the European integration process by setting up a European economic and currency union and European political union, with this being the most controversial issue at the moment. Quite a few people believe that the Maastricht Treaty has laid down both an orientation and a specific goal for this process. It is a significant treaty, for it has charted a development process for European countries to follow. Therefore, even if not all the EC countries participate in this process or this process is not accomplished on schedule, one still cannot say that the whole process will be a failure. What one can say is that the process will be slowed or postponed. European integration is an irreversible process which is bound to be further deepened. In fact, some of the current problems result from certain economic crises and disorders. As the economy recovers, favorable factors are bound to multiply. The revival of nationalism is regarded as the biggest threat at the moment. The civil wars in the former Yugoslavia, the regional conflicts in CIS countries, and the revival of fascism in Germany have all infused Europe with a strong smell of gunpowder. Refugee influxes from areas beset by ethnic violence have contributed to social and economic burdens as well as to factors for instability in many countries. Nevertheless, we should understand that the overall situation in Europe can still be described as "small disorder and big stability" because forces that restrain the growth of nationalism remain very strong in Europe.

The shift of the CIS and East European to a market economy has been more difficult than expected. On the one hand, the old economic structure cannot be totally discarded within a short period of time, whereas a new economic structure has yet to be established. Economic growth has been on a downward turn for consecutive years. This situation has been worsened by soaring inflation and a decline in living standards. On the other hand, various political forces are in the process of reorganization while the political situation still remains unstable. Moreover, social, ethnic, and other types of contradictions have intensified. The majority of the

countries in question are plagued by economic difficulties, political unrest, and social contradictions. Some people are concerned that should the economic and political situation in the CIS and the East European countries fail to take a turn for the better in the foreseeable future, grave social disturbances could ensue, which would in turn aggravate the overall political, economic, and security situations in Europe and undermine the stability and development of the European continent. Of course, it now seems that despite the enormous difficulties, the situation has not yet gone out of control. Some countries will probably witness a significant turn for the better next year or the year after next.

The end of the cold war has brought about a fundamental change to the basis of European security structure with the result that both political relations and security structures among European countries have also been altered or reorganized. A notable development is that, while the lead position of the United States has been weakened, Europe's role and mechanism, including that of NATO, has been enhanced. NATO will remain as the military and security pillar of Europe. As European influence grows ever stronger within NATO, the EC will play a more significant role in European politics and security.

Europe is undergoing profound political, economic, military, and social revolutions. Some people say that these revolutions predate the arrival of a "European era." Viewed from the angle of development, this view is perhaps not unreasonable.

The Asia-Pacific Region Is Blessed With Political Stability and Economic Growth

Although a host of political problems have incessantly haunted the Asia-Pacific Region since the end of the cold war, the Asia-Pacific Region has remained more tranquil than Europe. We can analyze this situation from two angles, namely, relations among the various big powers and hot spots.

As regards relations among the various big powers, the principal relationship in the Asia-Pacific Region are the relations among the United States, China, Japan, and Russia. Of these relations, Sino-U.S. relations are predominant. Sino-U.S. relations have improved to a significant extent in comparison with what they were in June 1989. Nevertheless, Sino-U.S. relations have also been fraught with contradictions. People are keeping a close watch over how U.S. President-elect Bill Clinton will tackle the existing problems between the two countries. Second come U.S.-Japanese relations. The inharmonious couple, namely, the United States and Japan, is expected to maintain their relations of cooperation in the political, military, and economic domains. Militarily, Japan still relies on the U.S. nuclear umbrella. Politically, Japan still needs U.S. recognition and endorsement in order to join the ranks of the major political powers. Therefore, there is unlikely to be an impasse in U.S.-Japanese relations. In the new period, economic frictions between the United States and Japan

are expected to escalate. Both sides will make greater efforts to contend for economic supremacy in the Asia-Pacific Region. Third comes Russo-Japanese relations and Russo-U.S. relations. Russo-Japanese relations have improved somewhat following the breakup of the Soviet Union. Russia desperately needs Japan's economic aid and appeared conciliatory for a time in its territorial disputes with Japan over the so-called four northern islands. However, under growing domestic pressure, Yeltsin refrained from making any explicit commitment on the issue of returning some or all of the four northern islands to Japan and had to postpone his visit to Japan, which had been previously scheduled for September 1992. On the other hand, since it continues to stick to its principle of "never separating political issues from economic ones," Japan is unlikely to provide huge economic aid to Russia. As a result, Russo-Japanese relations are expected to cool for the time being. Russo-Japanese relations are unlikely to witness any major improvement before their territorial dispute over the four northern islands is settled. Russo-U.S. relations have developed rapidly since the disintegration of the Soviet Union. Yeltsin warmly hailed the election of Bill Clinton as the next U.S. President and expressed the hope that the two countries would further strengthen bilateral cooperation and establish a "partnership" relationship. It is predicted that Russo-U.S. relations will continue to improve. As regards the Sino-Russian relations and Sino-Japanese relations, Yeltsin will be invited to visit China in December of this year, during which he will exchange views with the Chinese side on both political and economic issues of mutual concern. It seems that Sino-Russian relations will continue to develop with a fine orientation. This year marks the 20th anniversary of the establishment of Sino-Japanese diplomatic relations. After Chinese leaders visited Japan, the Japanese emperor and empress visited China in October of this year with the result that Sino-Japanese relations entered a new period of friendly cooperation. The general trend shows that improvement will be the principal aspect of big power relations in the Asia-Pacific region. Although contradictions and disputes among various big powers still exist, big power relations are unlikely to deteriorate to a serious extent.

As regards hot spots in the Asia-Pacific region, the four warring factions in Cambodia have basically implemented a cease-fire in accordance with a UN-sponsored agreement signed in Paris, thus creating bright prospects for a political settlement of the Cambodian question. The Cambodian peace process is moving slowly forward despite the enormous difficulties involved. The current situation shows that, although the possibility of a military conflict still cannot be ruled out, Cambodia is not likely to enter another large-scale civil war. This is because a political settlement remains the best and ultimate choice of all the parties concerned. As regards peace and stability on the Korean peninsula, thanks to several rounds of prime ministerial summit meetings between the southern side and the northern side of the Korean peninsula, tension on the Korean peninsula has

been mitigated to a large extent. Nevertheless, the southern side and northern side of the Korean peninsula recently failed to reach agreement on the question of the mutual inspection of nuclear facilities. Moreover, the United States has stated that it will resume joint military exercises with the ROK as of next year. As a result, the southern side and the northern side of the Korean peninsula have temporarily suspended their summit meetings. Generally speaking, it has become an irresistible trend for the southern side and the northern side of the Korean peninsula to further improve bilateral relations and strengthen bilateral cooperation through dialogue. No one should be allowed to destroy peace and stability on the Korean peninsula. From what has been mentioned above, we can see that all the former hot spots have to a large extent cooled. Although there have been some setbacks, things have not yet gone out of control. Generally speaking, nothing like the fierce armed conflicts that have taken place in certain hot spots in Europe will occur on the Korean peninsula.

Compared with the political situation, the economic situation in the Asia-Pacific region is more noteworthy. At a time when all the major developed countries are being hit by economic recession or slow economic growth, when the former Soviet Union and the East European countries are suffering from declining economies, and when the whole world is witnessing an economic slump, the Asia-Pacific region, especially Asia, is still maintaining a sound economic growth momentum. This year, China's economic growth is expected to reach 12 percent, far exceeding last year's 7 percent. The average economic growth rate of the "four little dragons" of Asia is expected to reach around 7 percent, slightly lower than last year's 7.4 percent. The economic growth rate of ASEAN countries is expected to reach about 6 percent, also slightly lower than last year's growth rate. The South Asian countries are expected to witness a 3.5 percent increase in their economic growth rate, higher than last year's growth rate. The economic growth rate of all the developing countries in Asia will approach 6 percent this year, much higher than that of the developed countries and of developing countries in other regions, which are expected to reach 1 percent and less than 3 percent on average, respectively.

The sustained high economic growth rate of the developing countries in Asia has been realized at a time when Japan, the biggest economic power in Asia, is suffering from economic recession (and whose economic growth rate this year is expected to fall from last year's 4.5 percent to 1.5-2.0 percent. The economy of the United States, which is the principal export market for the developing countries of Asia, has also remained weak. That the developing countries of Asia have witnessed more rapid economic growth is mainly because economic reform and readjustments going on in their countries have been fruitful and because they have reduced dependence on the U.S. market by increasing domestic demand and regional trade within East Asia. In the meantime, that China has regained a relatively high economic growth

rate has undoubtedly boosted the economic growth of the Asia-Pacific Region, especially the economic growth of its neighboring countries and regions. At the moment, although no regional economic cooperation entities like the EC or the North American Free Trade Area have yet been set up in the Asia-Pacific region, especially in East Asia, real economic and trade exchanges and cooperation in the region have developed rapidly, which has significantly boosted the economic development of the whole region.

Next year, the Western economies are expected to leave recession and embark on a relatively normal recovery. It is predicted that the average economic growth rate of the developed countries will reach around 2.5 percent. If the Uruguay Round of talks results in an agreement to prevent a trade war from breaking out and protectionism from escalating to an alarming extent, it is hoped that the countries of the Asia-Pacific region will witness faster economic growth next year. The developing countries in Asia are expected to attain approximately 7-percent economic growth. The economic growth rate of the whole Asia-Pacific region is expected to reach around 4 percent (this year's economic growth rate is around 3 percent), significantly higher than the global economic growth rate (which is expected to reach around 2.5 percent next year. This year's global economic growth rate will be 2 percent).

The Situation in Middle East Turns From Tension to Relaxation

Following the disappearance of the bipolar pattern, the Middle East has witnessed a shift from a U.S.-Soviet contention to a multipolar contention. **Over the past year, tension in the Middle East has been mitigated though stability has not yet been fully restored.**

1. The United States has become the biggest hegemonic power in the Middle East since the end of the Gulf war. After the former Soviet Union gave up its sphere of influence in the Middle East, no other Western power has been able to compete with the United States in that region. The United States has now secured its military control over all of the oil-producing areas in the Gulf. The U.S. Navy also has complete control over maritime space from the Gulf to the Mediterranean. Following its ferocious hegemonic expansion, the United States has publicly demanded that the Middle East countries set up "a new world order" in the Middle East under U.S. auspices.

2. As Iraq has been weakened both militarily and economically to a considerable extent as a result of the Gulf war, Iran's comprehensive national strength has recovered rapidly with the result that a new imbalance of relative strength has emerged among the various Gulf countries. Over the past year, the United States and Iraq have had numerous trials of strength on the issue of inspecting Iraqi nuclear installations. The United States has time and again vowed to use force against Iraq. On several occasions the situation became very tense

indeed. However, the tension was mitigated due to certain compromises made by Iraq. After setting up a Kurdish "safety zone" to the north of the 36th parallel, the United States proclaimed in August this year that the area south of the 32d parallel was a "no-fly zone." The establishment of the two zones was aimed at forcing President Saddam Husayn to step down by means of military pressure and economic sanctions. As a result, Iraq is faced with a grave situation at present.

After the Gulf war, the Arab-Israeli talks entered a new stage. The convocation of a Middle East peace conference in Madrid in October of last year indicated that the long-standing confrontation between the Arab countries and Israel over the past 40-odd years had now turned to comprehensive talks. Moreover, in the past, Arab-Israeli disputes were mainly settled through war. Now such disputes are being gradually settled by peaceful means. By mid-November this year, the Arab countries and Israel had held seven rounds of talks. Due to a stubborn attitude adopted by an Israeli Government led by Yitzhak Shamir, the first five rounds of talks failed to achieve the desired results. Since Yitzhak Rabin took office in July this year, the Israeli Government has appeared somewhat more flexible in its talks with the Arab countries and has agreed in principle to "trading land for peace." During the sixth and seventh rounds of talks, both sides discussed a number of substantial issues, including Palestinian autonomy, the Golan Heights, and so on, and achieved some satisfactory results. In the meantime, armed conflicts between Israel and Lebanese Islamic groups in southern Lebanon have escalated both in scale and in number.

4. The Islamic revival movement has also developed in both breadth and depth. Following the disintegration of the Soviet Union, Islamic forces in the six Central Asian countries have developed rapidly. Turkey, Iran, Saudi Arabia, and some other Middle East countries have expanded their influence in Central Asia. Due to their close national, historical, religious, linguistic, and cultural links, the Central Asian countries and the Islamic countries of the Middle East have jointly formed a big sphere of Islamic influence in the vast northern part of the Middle East. The Islamization of the Central Asian countries shows that the Islamic revival movement has extended from south to north. As far as its depth is concerned, the Islam revival movement has shifted from instigating such bloody incidents as the "Hama incident" which took place in Syria (in 1982); the "Mecca conflict," which took place in Saudi Arabia (in 1987); and the "October incident," which took place in Algeria (in 1988), to organizing the masses to form political parties to seize state power. Some Islamic political parties have further expanded their influence among the masses. The tides of democratization in the Middle East have also provided the Islamic revival movement with good opportunities to participate in government and political affairs. Islamic political parties in Jordan, Lebanon, Kuwait, and Algeria have already won a considerable number of parliamentary seats. Their influence

should not be overlooked. Even Egypt has witnessed an increase in the number of incidents in which military barracks and foreign tourists were attacked by the Islamic extremists.

Next year, the Middle East will continue to confront a complex and volatile situation caused by numerous factors of instability with the result that tension and relaxation as well as peace and turmoil are expected to coexist with each other in the region.

1. The Arab-Israeli peace talks are expected to make much progress. Arab-Israeli peace talks are the common aspirations of both the Arab countries and Israel and have been pushed ahead by the United States. The U.S. President-elect Bill Clinton is expected to continue to push ahead with the Middle East peace process. In comparison with George Bush, Bill Clinton is more inclined to Israel because he has emphasized the need to safeguard the safety of Israel and maintain Israel's military superiority over the Arab countries. It is expected that the results of the Middle East peace talks will be more disadvantageous to the Arab countries. After seven rounds of talks, especially the two latest rounds, the Arab countries and Israel have reconciled their stands and concluded some interim agreements. Moreover, the eighth round of Arab-Israeli talks will be held soon. It is possible that after long-term and repeated negotiations, Israel will be able to conclude with Jordan, Syria, or Palestine certain interim agreements. Nevertheless, under the pressure from their respective domestic factions against any compromise, the Arab-Israeli peace talks are still likely to meet certain setbacks.

2. Iran is expected to replace Iraq as the predominant military power in the Gulf. Since the Iran-Iraq war ended in 1988, the Iranian economy has recovered rapidly, with its oil output already reaching the pre-war level. The Gulf war provided Iran with excellent opportunities to develop both its armed forces and its economy. After Iraq has been weakened to a considerable extent, Iran has inevitably become the predominant military power in the Gulf. Reports say that Iran has purchased weapons and equipment worth approximately \$7 billion over the past four years, which is \$2 billion a year on average. [sentence as published] Recently, Iran purchased three submarines from Russia, one of which has reached the Gulf. In addition, Iran has also made efforts to extend the range of its missiles in hope of becoming a nuclear power. This has caused concern among the United States, Israel, and various Gulf countries. Because Iran is opposed to the Arab-Israeli peace talks and supports Islamic forces in the Middle East, contradictions between the United States and Israel on one hand and Iran on the other are expected to intensify. It is still too early to rule out the possibility of a military conflict between them.

3. The Islamic revival movement is expected to develop further. Some Islamic political parties are likely to play a predominant role in the governments of some countries. Political corruption, deteriorating economies, and a

drop in living standards are internal conditions under which the Islamic revival movement has been able to develop unabated, while the financial support provided by some oil-rich Islamic countries is the material basis upon which certain Islamic political parties have thrived.

Moreover, the Middle East has long been plagued by such problems as ethnic contradictions, religious conflicts, and territorial disputes. Following the disappearance of the bipolar pattern, the internal contradictions in the Gulf are expected to intensify, this being the main cause of turmoil in the Middle East.

The CIS "Is Loosely Organized, but Has Not Yet Fallen Apart"

The CIS, set up in the wake of the disintegration of the Soviet Union, is one year old now. When the CIS was set up, Ukrainian President Leonid Kravchuk stressed that it was merely a consultative body, not a state entity. By August of this year, leaders of the CIS member countries had held nine meetings and signed more than 100 documents. Nonetheless, those documents have no binding force over any of them. It is not surprising that the Armenian president has said: "I cannot say that we have made any explicit decisions on any of the issues we discussed at our meetings thus far."

When it broke up in December 1991, the Soviet Union split up into 15 countries. The three countries on the Baltic Sea coast became completely independent and did not join the CIS. Georgia was the first to join the CIS and sent an observer to CIS meetings as a guest later on. Azerbaijan, which announced its decision to join the CIS at the very beginning, also sent an observer to attend CIS meetings as a guest because its parliament did not ratify the decision. Now the CIS consists of 10 official member countries. Over the past year, these countries have made enormous efforts to gain political, legislative, economic, and diplomatic independence. The present situation shows that all the member countries have basically become state entities, but still have difficulties in finding proper ways to handle relations among themselves.

The official CIS member countries can generally be divided into two categories. Seven countries, including Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan, Tajikistan, and Uzbekistan, are willing to further their cooperation, whereas three countries, Ukraine, Moldova, and Turkmenistan, have not yet decided on how they should cooperate with one another. In the first half of this year, there were differences and even confrontations between Ukraine and Russia on a series of issues. The discord between the two big countries has undermined the internal solidarity of the CIS. On 23 June and 14 August, Yeltsin and Leonid Kravchuk met twice in Dagomys and Yalta and made compromises and concessions to each other. As a result, the situation has stabilized.

After reviewing what has happened within the CIS over the past year, we can see that the CIS is a body which "is loosely organized, but has not yet fallen apart."

The economic situation of the CIS countries is far from encouraging. The majority of CIS countries are faced with the crisis of economic recession at present. According to official statistics, the total output of manufacturing industry in the CIS countries dropped by 13.7 percent, total petroleum output by 12 percent, total state investment by 45 percent, and the total quantity of consumer goods by 15 percent in the first half of this year compared with the corresponding period last year. This is because, after the traditional economic links among the CIS countries were severed, the CIS countries, in an attempt to safeguard their national interests, have imposed economic barriers against one another and have even tried to benefit themselves at the expense of others. Russia was the first CIS country to lift price controls. And its decision has adversely affected both the economic and financial situations of the other CIS countries to a glaring extent.

Financially, the unitary ruble zone has been shrinking. A number of CIS countries have either issued their own currencies or are planning to issue their own currencies. In mid-November, Ukraine announced its decision to withdraw from the unitary ruble zone. At a summit meeting held in Bishkek on 9 October, only six countries, including Russia, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, and Armenia, decided to stay in the unitary ruble zone. At the summit meeting, Moldova and the above-mentioned six countries signed a document on setting up a transnational bank.

The shrinkage of the unitary ruble zone has been caused by a variety of reasons, one of which is the soaring inflation coupled with constant depreciations of the ruble and a lack of cash due to Russia's "shock treatment" and price decontrols. The ruble circulating in various CIS member countries at present is printed and issued solely by Russia. Other CIS countries have no right to participate either in the issuance of the ruble or in the provision of credit and loans in rubles. Lack of cash has forced several CIS countries to issue substitute currencies which are now circulating together with the ruble in order to struggle to extricate themselves from the unitary ruble zone and eventually gain financial and economic independence.

Militarily, the CIS has found it difficult to retain a unified army. At the time when the CIS was set up, there were differences among member countries as to whether or not it was necessary to retain a unified army. The Russian Federation strongly advocated the retention of a unified army, whereas Ukraine, Moldova, and some other countries insisted that they should set up their own armies. Of all the countries, Ukraine was most determined to set up its own army. Later, the Russian Federation president issued an order on setting up a defense ministry and officially appointed a defense minister. Now preparations for setting up a Russian army

have basically been completed. At a CIS summit meeting held in May, only six countries, namely, Russia, Kazakhstan, Uzbekistan, Turkmenistan, Armenia, and Tajikistan, initialed a collective security treaty, thus cutting down the size of the formerly unified CIS armed forces to a considerable extent.

Moreover, ethnic conflicts have been running rampant within the CIS. In order to put a stop to a series of bloody incidents, the CIS has set up a peacekeeping force which has since played a role in checking ethnic conflicts in three hot spots, namely, Nagorno-Karabakh, North Ossetia, and areas along the Dniester River in Moldova. However, it will take time for the CIS to resolve all its ethnic problems, given its complex nationality relations.

The fate of the CIS is to a large extent closely linked to that of Russia. Will the Russian Federation be able to maintain its internal stability? Will the Russian Federation leaders be able to handle relations between Russia and other CIS countries in a sensible way? All these issues are bound to have an impact on the CIS. Since it is after all a loosely organized consultative body through which the member countries can coordinate with one another on many issues, the CIS will continue to exist. Of course, the CIS membership is likely to either increase or decrease in the years ahead.

Central Eurasia

Yeltsin, Khasbulatov, Zorkin Meet; 'No Progress'

OW2403142693 Beijing XINHUA in English 1406
GMT 24 Mar 93

[Text] Moscow, March 24 (XINHUA)—A tripartite meeting on political crisis in Russia between President Boris Yeltsin, Parliament Speaker Ruslan Khasbulatov and Constitutional Court Chairman Valeriy Zorkin failed to make progress today, a presidential spokesman said.

Yeltsin Drops 'Special Rule'

OW2403150593 Beijing XINHUA in English 1454
GMT 24 Mar 93

[Text] Moscow, March 24 (XINHUA)—Russian President Boris Yeltsin Wednesday [24 March] dropped his plans for "special rule by decree" he announced last Saturday.

However, he maintained that a referendum on April 25 be held on who governs Russia, on a confidence vote in president and simultaneously on a draft new constitution.

A text of a decree by Yeltsin, distributed by his press service, did not make any reference to "special rule," ITAR-TASS reported.

The final version of the decree had no reference to "special rule". Last Saturday, Yeltsin said the draft version had ordered the introduction of "special rule" to force through the vote.

The text also watered down the special authority Yeltsin had assumed. Last Saturday, he said any action contradicting his orders was automatically invalid—effectively bypassing the rival parliament.

In the decree, he said the parliament could appeal to the Constitutional Court to veto his presidential decrees, granting lawmakers a recourse against his supremacy but nevertheless limiting the parliament's powers.

Under the decree, all decisions by state organs and its officials aimed at countering decrees and memoranda of the Russian president that are taken without the consent of the Constitutional Court will be recognized as not having force of law and will not be implemented.

After the publication of Yeltsin's decree Wednesday, Yeltsin held crisis talks with Parliament Speaker Ruslan Khasbulatov and Constitutional Court Chairman Valeriy Zorkin to seek ways out of the political crisis.

Nevertheless, the talks ended without an agreement because each side stuck to own position during the meeting, a presidential spokesman said.

Khasbulatov on Yeltsin 'Mistake'

OW2403194593 Beijing XINHUA in English 1829
GMT 24 Mar 93

[Text] Moscow, March 24 (XINHUA)—Russian parliament Chairman Ruslan Khasbulatov said today that President Boris Yeltsin has wrongly conceived the situation in Russia and in parliament by making "a big mistake" of declaring the "special rule."

Khasbulatov made the statement after a meeting between him, Yeltsin and the Constitutional Court President Valery Zorkin failed to produce any concrete agreement today.

He also said President Yeltsin might have believed some "unreliable people" when making the decision.

But he said that he will try to find a "normal basis" for solving the political crisis before the holding of the Congress of the People's Deputies on March 26, which he said "is not only drawing the interest of the Supreme Soviet, but also that of the whole Russian society."

He also said the meeting between the three leaders this morning is "necessary and helpful." They talked about the possibility of setting up a government of national reconciliation and the legal justifiability of Yeltsin's March 20 decree.

According to the ITAR-TASS NEWS AGENCY, the emergency session of the people's deputies to be held on March 26 will discuss as its top agenda what measures it

should take to protect the constitutional system of Russia. The Supreme Soviet has invited Yeltsin to attend.

Confirms Congress To Be Held

OW2403194493 Beijing XINHUA in English 1601
GMT 24 Mar 93

[Text] Moscow, March 24 (XINHUA)—Russian parliament Chairman Ruslan Khasbulatov confirmed today that the Ninth Congress of People's Deputies would be held on Friday [26 March] after the failure of his crisis talks with President Boris Yeltsin.

Khasbulatov was speaking at a parliament session after the crisis talks today.

The session adjourned, after only 15 minutes, until after Friday's Congress session.

Yeltsin 'Failed' in Compromise

OW2503014893 Beijing XINHUA in English 2240
GMT 24 Mar 93

[Text] Moscow, March 24 (XINHUA)—President Boris Yeltsin tried to compromise at today's meeting with the leaders of the Supreme Soviet and the Constitutional Court, but failed, said his press secretary Vyacheslav Kostikov.

Kostikov said on television that Yeltsin warned at the meeting with Ruslan Khasbulatov, the president of the Supreme Soviet, and Valeriy Zorkin, the president of the Constitutional Court, that their rash actions are pushing the country into conflict.

The Supreme Soviet declared today that an emergency session of the parliament will be held on Friday [26 March]. The session is expected to discuss whether Yeltsin's March 20 "special rule decree" has made up such a violation of the Constitution that it could lead to his impeachment.

Vyacheslav also said that Yeltsin is willing to have "constructive dialogue with all the healthy forces that want to see the state get rid of the crisis."

He also said that the emergency session of the parliament will lack a "solid basis of documents," because they have not yet got the formal version of the decree by the president.

"The president has made a lot of amendments to the decree which has made it largely different from his television speech on March 20," he said.

Yeltsin Issues 'Warning' to Russian Parliament

OW2503003093 Beijing XINHUA in English 2220
GMT 24 Mar 93

[Text] Moscow, March 24 (XINHUA)—President Boris Yeltsin today sent a letter to the Supreme Soviet,

warning that the parliament itself—instead of him—might be violating the Constitution.

Yeltsin said in the letter that he is the "guarantor" of the constitutional system of Russia, and that no state institution, social group or official could be allowed to violate and insult the Constitution.

He said he was upset by the deepening constitutional crisis, in particular by the decision made by the Supreme Soviet to hold an emergency session on Friday [26 March] to discuss his March 20 decree, and by the statements made the past few days by the leaders of the Supreme Soviet and the Constitutional Court.

He said since the name of "the Russian Soviet Federal Socialist Republic" was changed into "the Russian Federation," Russia has entered a constitutional transition period.

"Therefore, the legality of the popularly elected government power now needs a renewed approval by the people, who are the supreme arbiter," he said in the letter made public this evening.

Yeltsin has insisted on the holding of a referendum five weeks later to let the people show how much confidence they have in him.

Yeltsin's letter is the formal response to the conclusion made yesterday by the Supreme Soviet and the Constitutional Court that his March 20 "special rule decree" is illegal. It is also a message of warning to the emergency session of the people's deputies to be held Friday.

'News Analysis' on 'Intensified' 'Crisis'

OW2503053493 Beijing XINHUA in English 0511
GMT 25 Mar 93

["New Analysis" by Xin Guoying]

[Text] Moscow, March 25 (XINHUA)—Russia's political crisis, erupting from a power-sharing struggle, has not only not eased, but it was intensified by a resultless four-fold summit held on Wednesday [24 March].

President Boris Yeltsin and his prime minister, Viktor Chernomyrdin, sought compromise with his chief rival, parliament Speaker Ruslan Khasbulatov and Constitutional Court chief Valeriy Zorkin, but they failed to reach any substantive agreement.

The talks were held amid signs that both sides were prepared to consider concessions in the power struggle that threatens to plunge Russia into turmoil.

But hopes for a settlement dwindled after the 90-minute meeting. Yeltsin spokesman Vyacheslav Kostikov told INTERFAX news service that Khasbulatov presented "rude ultimatums" for concessions and that "the president responded with a resolute and firm rejection."

Khasbulatov then rushed back to the parliament building to reconvene the Supreme Soviet (parliament) and finalize plans for a Friday session of the Congress of People's Deputies.

He told the legislators that the meeting with the president had been useful, but said that Yeltsin did not "clearly understand the situation in the country."

Khasbulatov said he will invite Yeltsin to attend the Congress session and indicated he still hoped for a compromise.

"We want to offer the congress some sensible alternative" (to impeachment), he said. "I will make all efforts to find a normal base (for compromise) before the Congress."

The struggle between Yeltsin and the parliament headed by Khasbulatov has been developing for months. The question is whether the executive or legislative branch should rule Russia.

The situation boiled over after Yeltsin declared "special rule" last Saturday and called for an April 25 referendum to decide on which branch should hold ultimate power.

The country's Constitutional Court on Tuesday ruled that the president's action violated the Constitution, although it approved Yeltsin's request for a national vote of confidence on him.

Wednesday began when the Supreme Soviet, the standing legislature of the congress, voted 135-34 to convene an emergency Congress session on Friday to discuss issues including the possible impeachment of Yeltsin.

Under Russian law, Vice President Rutskoy would take power if the Congress removes Yeltsin. However, the president's aides have said he would ignore an ouster by the Congress.

Khasbulatov and Yeltsin had been longtime allies and worked together on the peaceful dissolution of the former Soviet Union in December, 1991. Rutskoy, who like Khasbulatov is a former Yeltsin ally, has also denounced the president's recent actions.

Also on Wednesday, Yeltsin accepted the resignation of the Justice Minister Nikolay Fedorovsole who has not endorsed his actions.

The confrontation sharpened after the failure of the Yeltsin-Khasbulatov talks, when Yeltsin made it clear that he still plans a national vote on Russia's constitutional system.

His spokesman added that parliament's decision to call the Congress into session to consider impeaching the president would sharply raise tensions in the country.

Eighth National People's Congress

Shanghai Mayor Huang Ju on Economic Issues OW2503004293

[Editorial Report] Beijing Central People's Radio Network in Mandarin at 1100 GMT on 16 March in its special program on the First Session of the Eighth National People's Congress [NPC] and on the First Session of the National Committee of the Chinese People's Political Consultative Conference [CPPCC] broadcasts a 17-minute "edited" recorded report on a news conference held at the news center of the two sessions on 16 March, where NPC deputies and responsible persons of the Shanghai Municipal Government answer questions by Chinese and foreign reporters on reform and opening up in Shanghai and on Pudong's development. According to an unidentified announcer, the news conference is attended by Shanghai Mayor Huang Ju and Shanghai Vice Mayor Zhao Qizheng, director of the Pudong New District Management Committee.

The news conference begins with a speech by Huang, followed by a question-and-answer session for reporters. In his speech, Huang notes that "Shanghai's economic performance doubled last year. The amount of foreign investments used in 1992 was the total sum of those used in the past 12 years. The development of Pudong was significantly accelerated last year, as was mentioned by Premier Li Peng in his speech yesterday [15 March]." Huang then provides more details on successes made in basic construction in Pudong, in developing the three development zones in Pudong, in constructing infrastructure in Shanghai, and in building financial institutions. He says: "In short, our hard work in 1992 enabled us to successfully bring about changes within a year. However, we still face many new issues and situations. We must continue to work hard in 1993. We must follow Comrade Deng Xiaoping's instruction to work hard for another year, ride the wind and cleave the waves, walk with sturdy steps, overcome difficulties, and scale new heights."

After Huang delivers his speech, the news conference opens the floor to reporters.

To a question from a reporter on his view about the opinions of economic experts who believe that "the key to the transformation of the operating mechanism of state-run large- and medium-sized enterprises is the transformation of government functions," Huang says: "Shanghai has always believed that the transformation of mechanisms is the key to invigorating state-run enterprises," and he then lists three conditions that should be created to invigorate enterprises. Huang also notes that "there are 2,333 state-owned enterprises in Shanghai that keep individual accounts, and Shanghai plans to invigorate these enterprises over the next three years by encouraging them to engage in market competitions."

To a question from a reporter on whether there will be a decrease in the amount of taxes Shanghai submits to the

central authorities this year or in the next few years, and an increase for other provinces and municipalities, Huang answers that "Shanghai and the central authorities have decided on a contracting system on finance. We submitted 27 billion yuan in tax revenue to the central authorities last year, which is about 80 percent [as heard] of Shanghai's revenues. That amount consists of tax revenues collected by central units in Shanghai and by our own departments." He adds that "Shanghai did not submit more or less tax revenues. Shanghai is the one that enjoys the extra portion of the cake."

To a question from a reporter on how long Shanghai can maintain the pace of economic development it achieved in 1992, Huang replies that "I believe Shanghai's economy developed at a normal rate last year. Such a pace was marked by the existence of markets, materials, and efficiency. In 1992, Shanghai's industrial output grew 20 percent; imports and exports in foreign trade, 20 percent; and retail sales in other parts of China, 19 percent or nearly 20 percent. The rate of sales of goods registered in Shanghai is 98.44 percent, which is much higher than the average national level." Huang also notes that Shanghai has improved its product quality and that "it is highly possible that Shanghai will maintain its economic development at a rate of more than (?10) percent" if Shanghai works hard and certain conditions are met.

On a question from a reporter on what Comrade Deng Xiaoping said in Shanghai during the Spring Festival about utilizing the forces of Overseas Chinese, Huang says: "Comrade Deng Xiaoping especially mentioned the words [words indistinct] Chinese features when delivering his speeches in Shanghai; he means that we have many countrymen residing abroad and Overseas Chinese." He also notes that Shanghai greatly welcomes funds and technologies from overseas and that it also greatly welcomes overseas Chinese, including countrymen residing abroad, to invest in Shanghai. However, he also notes that "the proportion of funds received from overseas Chinese compared with other overseas sources cannot be said to be great."

To a reporter's question on how Shanghai's leaders plan to further enhance the role of science and technology as the productive force in the future development of Pudong, Huang says that they have established the (?Sanjiang) science park in Pudong and that "Shanghai plans to combine the following three aspects in the park: scientific research, production, and finance. This will give us a chance to develop the three areas. We are also thinking about letting foreign scientists, large foreign companies, and foreign research centers to cooperate or invest in research centers in (?Sanjiang)."

To a question on whether the government will consider letting the three development zones in Puxi enjoy the preferential policies given to Pudong, Huang says that the three development zones in Puxi "have developed rapidly, that they are basically well developed now," and that "we have accelerated the development of Pudong to

further open up and develop Shanghai. We are less strict when drafting policies for Pudong than for Puxi so the former will enjoy more favorable conditions. But with the passing of time, the development of Pudong will affect both the western and eastern parts, and the effects will be felt by Puxi."

The news conference ends after Huang answers a question on issues concerning the transformation of large- and medium-sized enterprises.

Discusses Development Plans

OW2503030493 Beijing XINHUA Domestic Service in Chinese 0210 GMT 24 Mar 93

[By reporter Zheng Qingdong (6774 1987 2639)]

[Text] Beijing, 24 Mar (XINHUA)—At the first news conference for domestic and foreign reporters held at the Press Center of the "National People's Congress [NPC] and Chinese People's Political Consultative Conference [CPPCC] sessions," Huang Ju, the 54-year-old mayor of Shanghai, spoke with full confidence to several hundred Chinese and foreign reporters: "We will present Shanghai to the world with a brand new outlook. We will turn Shanghai into a modern metropolis!"

His confidence emanates from Shanghai's thriving economic construction and its rising tide of reform and opening to the outside world. When interviewed by this reporter, he said: "As everyone knows, Shanghai has attained remarkable achievements over the past several years. Particularly encouraged by Comrade Deng Xiaoping's important talks during his south China inspection tour, people in Shanghai have engendered all-round progress in numerous undertakings, made great strides in reform and opening up, attained a high economic growth rate, and realized the goal of 'effecting changes within a year.'"

One senses the overflowing of pride when listening to Huang Ju discuss Shanghai's economic development. "Through our experiments and experiences since the convocation of the Third Plenary Session of the 11th CPC Central Committee, as well as through strenuous efforts made in recent years, Shanghai has entered a new stage of revival and development." Huang Ju added: "Past achievements did not come easy, the tasks facing us will be arduous, and the road toward future development will be long."

In his report to the 14th CPC National Congress, Comrade Jiang Zemin proposed making Shanghai's Pudong area the locomotive of development and opening up. He also proposed further opening cities along the Chang Jiang; turning Shanghai into an international economic, financial, and trade center as soon as possible; and making new strides in the economic development in the Chang Jiang Delta and in the entire region of the Chang Jiang Basin. The Government Work Report delivered at the First Session of the Eighth NPC likewise stressed the need to accelerate the pace of development and opening

up in Shanghai's New Pudong District. Huang Ju said: "This major strategic decision determined Shanghai's position and role in our country's reform, opening up, and economic construction, and it clearly pointed out Shanghai's strategic goals in the 1990's and beyond. We plan to devote some 20 years featuring three implementation stages toward the realization of these grand goals."

Mayor Huang Ju proceeded to unveil the grand plan for Shanghai.

The realization of the short-term development goals—from today until 1995—will help Shanghai lay a material base for becoming an international economic, financial, and trade center. During the final three years of the "Eighth Five-Year" Plan period, major efforts will be devoted to promoting reform and opening; to bringing the fundamental role of the market, under socialist state macrocontrol, into full play in the area of resource utilization; and to expedite the process of moving toward a market economy. International practices will be extensively adopted in the areas of finance and trade in an effort to initially realize a convergence of domestic and international markets. Efforts will also be concentrated on bringing about a strategic readjustment of the economic structure to help raise the nation's economy to new heights.

The realization of the midterm development goals—from today until 2000—will initially help Shanghai to build a framework for an international economic, finance, and trade center. On the basis of raising product quality, optimizing product mix, and increasing efficiency, the gross domestic product is projected to exceed 200 billion yuan at an annual average growth rate of about 10 percent. The tertiary industry's share in the gross domestic product will be raised to more than 45 percent. Large-scale new and high-technology industry groups will be formed, and the technological levels of key enterprises will reach the international levels of the nineties. Efforts will be made to raise the percentage of exports in the gross domestic product to 50 percent. In line with the requirements for establishing the structure for a socialist market economy, operating mechanisms and methods that converge with those of the world economy will be basically in place. By 2000, the overall quality of Shanghai's economy and its comprehensive economic strength will be raised to new heights, and the building of a socialist democracy, legal system, and spiritual civilization will be raised to new levels.

The realization of the long-term development goals—from today until 2010—will basically help Shanghai become an international economic, financial, and trade center. Pudong will basically become a first-rate, world-class, export-oriented, multifunctional, and modern new zone. By 2010, Shanghai will strive to fulfill the following requirements: basically reach the economic scale and comprehensive strength of an international city; basically establish a modern urban setup that is on a par with world's first-rate cities; basically bring about an omnidirectional opening with extensive domestic and

foreign ties; basically establish operating mechanisms and styles for a market economy that are adapted to the requirements of international competition; and basically help shape a highly civilized social and cultural structure and social outlook.

Huang Ju spoke with confidence, saying: "This is our blueprint for the future of Shanghai." He added: "The prospects are beautiful, but, to turn them into reality, there is still a long way to go and a lot of hard work to do."

In conclusion, Mayor Huang Ju said: "As long as we keep forging ahead, persist in emancipating our minds, and seize the opportunity for great development, we will surely realize this grand blueprint."

We expect the early birth of this modern metropolis!

PLA Department Head on Troops' Political Work

*HK2503034693 Beijing JIEFANGJUN BAO in Chinese
19 Mar 93 p 1*

[By reporters Li Yin (2621 0692) and Shen Xinshi (3088 2450 2514): "At a Group Discussion on the Government Work Report, Yu Yongbo, People's Liberation Army (PLA) General Political Department director, Speaks on Arming Cadres and Soldiers With Theory of Building Socialism With Chinese Characteristics"]

[Text] Beijing, 17 Mar (JIEFANGJUN BAO)—Today, in a speech he delivered at a discussion meeting on the Government Work Report, Yu Yongbo, military deputy to the National People's Congress, pointed out: Seizing the opportunity and speeding up the pace of reform and opening up to the outside world is the unanimous action of the nation and also the most basic reality facing our Army's political work.

He said: It is the most important task of our political work to ensure that the whole Army will keep abreast of the situation of reform and opening up to the outside world and conscientiously bring about a high degree of unity politically, ideologically, and in deeds with the party Central Committee.

Yu Yongbo held: The establishment of the guiding position in the whole party of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the setting of the objective of establishing a socialist market economic structure by 14th CPC National Congress indicate that a great leap both in theory and practice has been achieved in the party-led reform and opening up as well as modernization. The current congress has not only worked out a detailed plan for the modernization strategic objective set by the party, but has also provided a powerful guarantee for the completion of the objective in terms of leadership structure and basic laws.

While talking about how to solve the various problems of understanding cropping up among cadres and soldiers as

reform deepens, Yu Yongbo pointed out: What is of fundamental importance is to organize officers and soldiers throughout the Army to study well Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, which serves as the general key for solving the various problems of understanding cropping up among the troops in the new situation. By changing ideas as we have frequently said, we mean changing the outmoded concepts with the theory of building socialism with Chinese characteristics so that our cadres and soldiers will further emancipate their minds. Therefore, studying and implementing the theory of building socialism with Chinese characteristics is a primarily important task of the political work among the troops in the new situation, and thus, every effort should be made to ensure its completion. Yu Yongbo went on to say: The acceleration of the state's reform and opening up and the gradual establishment of a socialist market economic structure will surely lead to the readjustment of the relations of interest and unavoidably have an impact on the troops' thinking and cadres' and soldiers' immediate interests to a certain extent. Therefore, he emphatically pointed out: It is necessary to teach and guide our cadres and soldiers to vigorously carry forward the spirit of selfless dedication and the five revolutionary spirits initiated by Comrade Xiaoping. This is the spiritual pillar indispensable in our effort to carry out reform and opening up well and to strengthen the modernization of the state and the Army. The more we want to expedite reform and opening up and develop the socialist market economy, the more energetically we should carry forward the spirit of selfless dedication.

Yu Yongbo discussed his views on the question of further readjusting and improving the Army's cadres policy system. He pointed out: As the reform of the state personnel system proceeds at an accelerated pace, the Army must keep in line with this development and, together with state departments concerned, gradually work out new methods and formulate new policies.

In conclusion, Yu Yongbo stressed: In the new situation, we should strengthen ideological and political education among the troops, vigorously carry forward the party's and the Army's fine traditions, strive to improve the ideological and moral levels of the officers and soldiers of the whole Army, resist and overcome the influence of all kinds of decadent ideas, uphold high standards in ideological and moral development, and forge ahead of the other sectors of society.

PLA Official on Overall Logistics Building

*HK2503061293 Beijing JIEFANGJUN BAO in Chinese
19 Mar 93 p 1*

[By reporter Lu Tianyi (4151 1131 5030): "At a Group Discussion on the Government Work Report, Fu Quanyou, People's Liberation Army General Logistics Department director, Speaks on Strengthening Overall Logistic Building"]

[Text] Beijing, 17 Mar (JIEFANGJUN BAO)—Today, in a speech he delivered at a discussion meeting on the Government Work Report, Fu Quanyou, military deputy to the National People's Congress, stressed: Active efforts should be made to suit the situation in which the state is deepening reform and expanding opening up to the outside world, bring logistics work onto the orbit commensurate with a socialist market economy, and fulfill the requirement of "having adequate maintenance and supplies."

Fu Quanyou said: In his government work report, Premier Li Peng urged the Army to take the path of training top-notch troops with Chinese characteristics in accordance with Comrade Deng Xiaoping's thinking on army building in the new period and strive to do a good job in the construction and reform in various fields according to the requirement of "being politically qualified and militarily competent and having a fine style, strict discipline, and adequate maintenance and supplies." Achieving adequate maintenance and supplies is a very high goal. To uplift the Army's logistic work to a new level, it is necessary to meet the needs of taking economic construction as the center and further carry forward the fine traditions of plain living and hard struggle and of building up the Army with industry and thrift, and it is necessary to meet the needs of the principles guiding military strategy in the new period and strengthen overall logistic building.

Fu Quanyou said: The acceleration of the reform of establishing a socialist market economic structure will inject tremendous vitality into the Army's logistic building and reform. For example, as materials on the market get more and more abundant, we can build up supplies of goods and materials using the method of storing up material supplies among the people; as the comprehensive social service system gets perfect, we can gradually improve the soundness of socialized security of the Army; as commodities on the market get increasingly abundant, we can gradually readjust the ratio between outlay and the supply of physical goods and reduce the losses incurred in the course of goods transshipment, and so on and so forth. To turn these possibilities into a reality, it is necessary to further deepen logistic reform, strive to set up a set of logistic support structure, operation mechanism, and management methods commensurate with the socialist market economy, and gradually establish a logistic support system in accordance with the principle of combining military and civilian efforts and peacetime and wartime efforts.

Fu Quanyou said: In his report, Premier Li Peng stressed the idea of "boosting economic efficiency by improving management." This is equally of great guiding significance to the Army's logistic work. In a period of time to come, in logistic work, the Army should further strengthen macrodecision-making management, management of the work in various professional fields, management of logistic work at the grass-roots level,

improve military economic efficiency, and manage and make good use of the military expenditure allotted by the state.

Fu Quanyou said: In the last few years, when the contradiction between supply and demand was relatively pronounced, the development of the Army's production and operations has played a certain positive role. Nevertheless, in the production and operations there are some problems calling for attention and prompt solutions. They should be constantly readjusted and reform on the basis of serious investigations and study. The general thinking is to control the scale, harmonize the structure, seize the opportunity, deepen reform, strengthen management, and improve efficiency so that the Army's production and operations will produce good social benefit and economic efficiency on the premise that they are in line with state policy and do not hinder the troop building and scramble for gain with the people. At the same time, great efforts should be made to develop agricultural and sideline production with pig farming and vegetable growing as the core.

Constitutional Changes, Impact on Hong Kong Viewed

HK2403083493 Beijing ZHONGGUO XINWEN SHE
in Chinese 0800 GMT 22 Mar 93

[Commentary by Gan Zhebin (3927 0772 2430)]

[Text] The First Session of the Eighth National People's Congress [NPC] has an important agenda; that is, amend the relevant articles of the PRC Constitution which are not suitable to the development of a socialist market economy. Some persons from Hong Kong, Macao, and abroad may question: Since the Constitution can be amended, how can the article in the Constitution on establishing the special economic regions [SER] and the "one country, two systems" principle be guaranteed?

We can definitely say that at present and in the future, amendment of the constitution will not hinder establishment of the Hong Kong and Macao SER's and implementation of the Hong Kong and Macao Basic Laws.

Article 31 of the preamble of the new constitution promulgated by the NPC in December 1982 stipulates: "When necessary the state shall establish SER's. The system to be implemented in the SER's shall be stipulated in law by the NPC in light of the specific conditions." With foresight this statement has actually provided Hong Kong and Macao, where SER's will be established after resumption of sovereignty, with the legal ground for implementing the "one country, two systems" principle and a high degree of autonomy, keeping the current social and economic systems unchanged for 50 years, and ensuring long-term stability and prosperity.

Generally speaking, the powers entrusted by a constitution to the local authorities can be revised or revoked through constitutional amendments. As the Hong Kong

and Macao Basic Laws are China's established policies and basic principles toward Hong Kong and Macao, they cannot be amended or revoked. In other words, even if the PRC Constitution is to be amended in the future, these basic principles cannot be amended in 50 years because they are included in the Sino-British and Sino-Portugal Joint Declarations, respectively. Even if an amendment is necessary, it cannot be done before any amendment made of the Sino-British or Sino-Portugal Joint Declarations.

In light of the principle of international law, however, no country may amend or revoke an international agreement it has signed, under the excuse of its domestic law, whether it is the constitution or other common law. In light of this principle, the Sino-British and Sino-Portugal Joint Declarations on the questions of Hong Kong and Macao are both international agreements. The basic principles and policies of the Chinese Government toward Hong Kong and Macao stated in the Hong Kong and Macao Basic Laws constitute part of the contents of the Joint Declarations. For this reason, in the 50 years after 1997 and 1999, no matter what changes have been effected in the Chinese Constitution, these basic principles and policies cannot be amended. Otherwise, it will be tantamount to a violation of the Sino-British or Sino-Portugal Joint Declaration.

It is in the interest of Hong Kong, Macao, and Mainland China to maintain the stability and prosperity of Hong Kong and Macao. Therefore, China will not make any amendment to the article on establishing SAR in its constitution. China's sincerity in implementing the "one country, two systems" principle can be seen in the Sino-British and Sino-Portugal Joint Declarations, which were adopted by the NPC prior to the signing and were registered at the UN secretariat.

Therefore, amendment of the PRC Constitution will not hinder the establishment of the SER's in Hong Kong and Macao or to the implementation of the Hong Kong and Macao Basic Laws. In the four-odd years from now to 1997, the important thing is to safeguard the "one country, two systems" principle, maintain the Hong Kong Basic Law, and ensure convergence.

Hong Kong Given More Commercial Opportunities

HK2503060293 Beijing ZHONGGUO XINWEN SHE
in Chinese 0646 GMT 23 Mar 93

["Commentary on the Two Sessions" by reporter Chen Liyu (7115 4539 1342)]

[Text] Beijing, 23 Mar (ZHONGGUO XINWEN SHE)—A major topic discussed at the current sessions of the National People's Congress and the Chinese People's Political Consultative Conference is: How to link with the international market on all sides at a time when the socialist market economy is being established? For Hong Kong and Macao, which serve as the "window" of the

China mainland's reform and opening up, this has a special meaning, showing more commercial opportunities in the future.

Please look at remarks made by some deputies and members:

Vice Minister of Commerce Zhang Shiyao: The opening up of commercial retail business to foreign investors will proceed step by step.

Vice Governor of the People's Bank of China Tong Zengyin: The orientation is that foreign-invested banks can be engaged in renminbi business after the taxation issue has been settled.

Vice Minister of the State Commission for Economic Restructuring Gao Shangquan: At a time when efforts are made to set up a capital market, technology market, property right market, labor market, and land market, it is necessary to help them link with the international market.

Liu Jinbao, vice president of Shanghai branch office of the Bank of China: More foreign-invested banks should be introduced in Shanghai to form a certain scale of transactions and to facilitate capital inflow and outflow.

Anhui Governor Fu Xishou: The early-phase preparations for Maanshan Iron and Steel Corporation to be listed in Hong Kong are close to completion.

Zheng Dunxun, president of the China National Chemical Import and Export Corporation: We should set up more transnational enterprise groups to make overseas investment, and Hong Kong is the best "intermediary."

The remarks made by the above-mentioned deputies and members convey a clear message and view: China should and must open up more domestic markets, and foreign businessmen will find a broader space of investment in the mainland.

Hong Kong and Macao are the "window" for the China mainland to link with the outside world since the mainland has implemented the reform and opening up policy, and the Hong Kong and Macao business circles are the swiftest ones to invest in the mainland. In fact, the Hong Kong and Macao business circles have the biggest share of investment in the mainland among foreign investment attracted by the mainland.

As China's domestic markets have further linked up in all respects with the international market, the "window" role of Hong Kong and Macao will certainly be strengthened, and the Hong Kong and Macao business circles can have commercial opportunities at least in the following several respects.

First, following the further opening up of the retail business market, retailers from Hong Kong and Macao, which are always good at identifying opportunities beforehand, are expected to have a greater market share.

Second, following the further opening up of the land market, Hong Kong and Macao estate developers are expected to have a greater space of investment.

Third, following the further opening up of markets, Hong Kong and Macao traders will be able to reap more profits in running entrepôt business.

Fourth, accounting and legal firms in Hong Kong and Macao will have greater opportunities to cooperate with their mainland counterparts in engaging in related business.

Fifth, after mainland enterprises have been directly listed in Hong Kong, the structure of the Hong Kong Stock Market will become more reasonable and tend to be diversified.

Sixth, Hong Kong's position as the center of transnational companies' Asia-Pacific headquarters will become firmer, and its "intermediary" role will be greatly enhanced.

Of course, the whole situation cannot be generalized by the several points mentioned above. However, even if only these commercial opportunities are available, the benefits which Hong Kong and Macao can get are in no sense small.

Hainan Urges Legal Aid for Market Economy

*HK2503132693 Haikou Hainan People's Radio
Network in Mandarin 2300 GMT 23 Mar 93*

[Text] On the afternoon of 22 March, while discussing the National People's Congress [NPC] Standing Committee Work Report, the Supreme People's Court report, and the Supreme People's Procuratorate Work Report, Hainan people's deputies attending the First Session of the Eighth NPC aired their views on issues such as speeding up legislation and ensuring the healthy development of the socialist market economy.

Deputy Ruan Chongwu said: Market economy is the principal part [words indistinct]. In economic activities, there exist various kinds of complicated relationships, including financial relationships and exchange relationships, in addition to rights and duties of the economic entities. All this must be standardized and readjusted by law. Therefore, to establish our socialist market economy, it is necessary to firmly grasp the work of enacting laws and regulations for standardizing socialist market entities, maintaining socialist market order, strengthening macroscopic regulation and control, guaranteeing social insurance, and so on. At present, more efforts must be devoted to enacting laws and regulations governing finance, labor, social insurance, and so on.

He added: Hainan must gradually promote joint-stock companies mainly based on legal persons. Categories of enterprises must be determined by ownership systems. Since the market is unified, all kinds of enterprises must be run according to our unified laws and regulations. Competition must be carried out on an equal basis. In

the meantime, government must transform its functions, streamline its organizations, and delegate its powers. Its behavior must be standardized. Social insurance must be based on law. For example, old-age pension insurance, industrial injury insurance, medical insurance, labor insurance, and so on must follow unified standards. All these must be standardized and readjusted according to law.

Deputy Du Qinglin said: Strengthening the building of democracy and the legal system is our country's long-term and fundamental guiding principle. Strengthening legislation is of vital significance to safeguarding citizens' rights, standardizing economic behavior, and ensuring fine and rapid development of the socialist market economy. Our socialist market economy must become economy based on the legal system. Hainan, as a forward position of reform and opening up, must be linked with the world economy as early as possible. We must go about things in accordance with international practice. Obviously, strengthening legislation is an urgent task which brooks no delay. At present, the most important and urgent task is to strengthen economic legislation. First, it is necessary to enact laws and regulations governing market standardization, and establish the position of the market as the main body. We must use unified laws and regulations to standardize economic behavior of enterprises of different ownership systems. We must create conditions to enable enterprises to compete with each other on equal basis. Second, it is necessary to formulate laws and regulations for standardizing market order, so that enterprises' economic activities can be conducted in an orderly way. They must be carried out in a lively way without any chaos. Third, it is necessary to enact laws and regulations for objective regulation and control to provide a legal basis for the government's effective management of the economy. Fourth, it is necessary to enact laws and regulations aimed at protecting and arousing the enthusiasm of laborers to improve the social insurance system. It is necessary to quicken the legislative process in accordance with the demands of socialist market economy, and bring market economy onto the track of the legal system. This is an inexorable trend of economic development, and a key content of the building of the legal system.

Du Qinglin continued: We must do well work in the following three aspects: 1) It is necessary for us to use legal means to consolidate our achievements in economic construction, reform, and opening up. 2) It is necessary to strengthen the building of the legal system, so that it can catch up with the pace of economic development. 3) It is necessary to promote economic legislation with the economic system taking the lead to promote the healthy development of the economy and social undertakings with our strong points in the legal environment.

He stressed: To fulfill the above-mentioned three tasks, it is necessary for us to stick to the principle of the three beneficials proposed by Comrade Xiaoping on the basis

of the establishment of the socialist market economic system. It is necessary for us to persist in learning from both domestic and international experiences in legislation.

In their speeches, deputies Pan Qiongxiong, Yang Ronggui, Wang Yuefeng, (Wang Faren), and others pointed out: The NPC and its standing committee must guide localities with Comrade Deng Xiaoping's theories on building socialism with Chinese characteristics, and quicken the process of enacting laws and regulations aimed at standardizing market economic activities around the socialist market economy. In the meantime, it is necessary to grasp well legal supervision to ensure correct enforcement of our laws and regulations. We must ensure that all laws are observed, that all laws are enforced strictly, and that those who violate the laws will be held accountable.

Paper Makes Self-Criticism for 'Improper Report'
HK2403135793 Hong Kong MING PAO in Chinese
23 Mar 93 p 11

[Report: "NONGMIN RIBAO Is Forced To Make Self-Criticism for Publishing Zhu Rongji's Remarks on IOU's"]

[Text] NONGMIN RIBAO, the authoritative Chinese newspaper in the field of agriculture, was recently enjoined by the central department concerned to make a self-criticism for an improper report about Zhu Rongji's remarks on the issue of agriculture when attending the discussion meeting of the Hunan delegation to the National People's Congress [NPC].

Reportedly, NONGMIN RIBAO published a report about Zhu Rongji's talk to the Hunan delegation on such issues as the IOU's issued by local governments to peasants when purchasing farm products and the increasing burdens imposed on peasants. The report quoted Zhu as saying that this year, the state would control the use of the funds earmarked for purchasing farm products in order to eliminate the phenomenon of issuing IOUs to peasants. The report revealed that when Zhu talked about this, he said "I will behead those who use the earmarked funds for other purposes." At present, the central department concerned has enjoined the newspaper to make a self-criticism for this.

More noticeable was that the NONGMIN RIBAO report, after quoting Zhu's remark, said that a peasant deputy in the Hunan delegation immediately shouted to Zhu Rongji: "On behalf of peasants in Hunan, I wish you a long, long life of 10,000 years." Zhu Rongji answered: "Hunan people can only shout 'long live Chairman Mao.'"

In his talk, Zhu Rongji explained his remark about "beheading" and said: "What I said means that we must have a firm determination to properly manage affairs concerning agriculture and check the IOU's even though we have to face any serious matters."

Zhu Rongji also said that many localities tended to neglect agriculture, and this was a very dangerous trend. At the discussion, many Hunan deputies to the NPC asked Zhu Rongji to approve their projects. Zhu said: "Many people just asked me to approve the appropriations for their industrial projects, but I think that agriculture is more important. The products of some enterprises may be marketable for only one or two years, then what can they do? At present, the input into agriculture is too insufficient. The capacity for resisting natural disasters is too low. If any unexpected trouble arises in agriculture, the consequences would be very serious."

Zhu Rongji said that the State Council had issued a document, requiring that all levies imposed on peasants be suspended completely and be subject to screening, except for the 5 percent reserve stipulated by the state. Zhu Rongji said: At present, the whole world affirms that the most successful point of China's reform and opening lies in agriculture, so importance must be attached to agriculture.

In addition, NONGMIN RIBAO on the same day also carried another report, saying that a peasant in Santai County of Sichuan Province went to the provincial government to complain about the excessive burdens imposed on peasants by carrying the honor board inscribed with "people's hero," as the glorious title was conferred on him during the Korean war. A photo was also attached to the report, which said that the annual income of the local peasants was less than 400 yuan, but 40 percent of the income was taken away by the local authorities. The local authorities sent various teams to collect levies and fees from the peasants by going from door to door. If a peasant could not pay, various valuable belongings in his house, such as livestock, furniture, and electric fans, would be taken away. The peasant's honor board was almost smashed by the collectors, so he could only carry the board on his back when going to lodge his complaint with the provincial government.

Commentary on 'Marketing of Power,' Concerns
HK2403152493 Beijing ZHONGGUO XINWEN SHE
in Chinese 0533 GMT 23 Mar 93

["Commentary on the Two Sessions" by staff reporter Guo Weifeng (6753 0251 6912): "Only When Power Stops Entering the Market Will China's Economy Be Free From 'Falling Ill'"]

[Text] Beijing, 23 Mar (ZHONGGUO XINWEN SHE)—"Viruses" will surface in China's economy unless "power is barred from entering the market."

Among deputies to the National People's Congress [NPC] and members of the Chinese People's Political Consultative Conference [CPPCC], there really are many good and famous physicians, who have written out one "prescription" after another for curing the diseases in China's economy. Although "barring power from entering the market" has not yet become a central topic,

the intensity of the "medicine's properties" and its "bitterness" make it the most unforgettable prescription people have seen.

What symptoms surface with "power entering the market"?

The deputies and members believed that the symptoms find expression in two aspects: First, some government organizations begin treating power as a commodity. For example, they utilize government "power to approve" to seek interests or personal gain or colossal profits for government-run companies. They utilize government "administrative power" to scrounge products in short supply from enterprises and engage in speculation. And second, some government units form administrative "flip-over companies" [fan pai gong si 5064 3654 0361 0674], while taking over the power that should go to enterprises.

What will be the consequences of "power entering the market"?

The deputies and members indicated that the consequences could be shocking: Optimal allocation of resources and fair competition would be out of the question; enterprises' burdens would be increased, and market order disturbed; corruption would grow; and the social atmosphere worsen. The phenomenon that "those who have no money are barred from presenting their cases" to the government is likely to surface in some places.

Eventually, it would lead to the building of the socialist market economic structure being affected and jeopardized. Is it not true that "the marketing of power" spells a "virus" to China's economic development and political stability?

The "prescriptions" the deputies and members wrote out for the "symptoms" are:

1. To deepen reform. For example, accelerate price reform, and abolish the dual-track price system for some products.
2. To augment the building of laws, decrees, rules and regulations concerning the market economy, and complete and perfect the basic decrees and regulations compatible with the requirements of the market economy. Judicial and law-enforcement units should augment law-enforcement work.
3. To accelerate market development.
4. "Flip-over" companies should be banned, and the government must have a strict control system. Government and judicial behavior should be standardized, and their functions and powers should be exercised strictly according to the law.
5. To augment the supervising role of auditing, public opinion and the masses.

6. To augment the fight against corruption and bribery.

7. To improve cadres' wage treatment, and ban government civil servants from going into business. Those civil servants who have "turned professional for good" [xia hai 0007 3189] in business because of institutional reform should genuinely separate themselves from the government. "Moths will bore through a pillar, and pests will cause the loss of cattle and sheep." The truth revealed in this ancient poem is still of universal significance. If the "virus" of "the marketing of power" is not promptly removed, and China's market economy falls "ill," how can we imagine the consequences?

In fact, the central government is already watching closely the damage done to the government by the "virus" of "the marketing of power." Premier Li Peng pledged in his government report that the government would strictly forbid the commercialization and abuse of power. Not long ago, the State Council responsible person also warned against the danger of "flip-over companies." The central government plans to develop markets in various categories in a big way, to firmly grasp price reform, and to augment macroscopic control. All this serves certain purposes.

The way to eliminate the "virus" is to heighten people's sense of precaution across China. The fact that the NPC deputies and CPPCC members attach great importance to the issue will be helpful to eventually presenting more complete, perfect and comprehensive precautions, good medicine that tastes bitter but is helpful to the country and the people.

Liu Huaqing, Hubei Delegation Hold Discussions

OW2503104093 Beijing XINHUA Domestic Service in Chinese 1042 GMT 23 Mar 93

[By reporters Fang Zhengjun (2455 2398 6511) and Ren Weidong (0117 5898 2639)]

[Text] Beijing, 23 Mar (XINHUA)—Participating in discussions with the Hubei delegation today, Liu Huaqing, member of the CPC Central Committee Political Bureau Standing Committee and vice chairman of the CPC Central Committee Military Commission, pointed out that inland areas in central China, particularly the old revolutionary areas with comparatively backward economies, should seize the favorable opportunity, carry forward revolutionary traditions, make good use of local advantages, and accelerate development and the pace of catching up with the rest of the country in the spirit of self-reliance and hard work.

Liu Huaqing said that the current National People's Congress [NPC] session is crucial. It has great significance for our effort to establish a socialist market economy and to push ahead with the socialist modernization drive. The NPC session is going on very well, and the thinking of NPC deputies have been quite unified. Premier Li Peng's report summed up experiences in the past five years and clearly set the requirements for

development in the next five years. You deputies have also raised very good proposals.

Liu Huaqing said Hubei, an old revolutionary area and one of the places from which the First, Second, and Fourth Front Armies of the Red Army originated, has a glorious revolutionary tradition. Hubei, situated in central China, with developed communications and abundant produce, has witnessed marked economic achievements in the past scores of years. Hubei has a good agricultural and a good industrial foundation. In Wuhan, in particular, very big projects such as the Wuhan Iron and Steel Company, Wuhan Boiler Plant, Wuhan Shipbuilding Yard, Wuhan Heavy-Machinery Plant, and Wuhan Diesel Engine Plant, have been built since liberation. There is great potential in the old industrial base in Hubei. Development will surge forward with the start of the Sanxia [Three Gorges] water project. In the course of development, it is necessary to be realistic. In areas where conditions permit, development should be accelerated; in areas where conditions do not permit, development should proceed steadily.

Liu Huaqing said: We are in a period in which the climate is favorable and the geographical and human conditions are on our side. I hope that the 55 million people of Hubei will seize the opportunity, have good vision, work harder, advance with firm steps, rely on their own strength, and accelerate the pace of reform and opening to the outside world by making special efforts to carry forward the fine revolutionary traditions created in the war years. At the same time, they should implement the principle of grasping two things simultaneously, strengthen public order, maintain political stability, raise their ideological consciousness, and create a good environment for the sustained, stable, and coordinated development of the economy.

Hu Jintao, Tibet Deputies Discuss Judicial Work
OW2503011593 Beijing XINHUA Domestic Service in Chinese 1423 GMT 23 Mar 93

[By reporters Wang Jinfu (3076 6855 4395) and Luobu Ciren (5012 1580 2945 0088) and Central Television reporter Liu Zhengzhu (0491 2973 6999)]

[Text] Beijing, 23 Mar (XINHUA)—While discussing Supreme People's Court and the Supreme People's Procuratorate work reports with Tibet deputies today, Hu Jintao, member of the CPC Central Committee Political Bureau Standing Committee, said: Social stability is the fundamental guarantee for the smooth progress of economic construction. Under new historical conditions, the judicial, procuratorial, and public security work itself and the party's leadership over this work can only be strengthened instead of weakened.

Centering on the two reports, the Tibetan deputies had a heated discussion over the issues such as public security, legal system construction, and the building of spiritual civilization and material civilization. The deputies said: The reports have objectively reflected the progress of the

work of the Supreme People's Court and the Supreme People's Procuratorate in past few years. They maintained: The state's stability and the development in reform, opening up, and the cause of modernization drive are inseparable from the hard work of the large number of public security cadres and policemen on the judicial front.

In his speech, Hu Jintao fully affirmed the achievements accomplished on the judicial front. He said: Over the past five years, courts and procuratorates at all levels have done a great deal of work in maintaining normal social order and stability and in ensuring the smooth progress of reform, opening up, and socialist modernization drive. Remarkable achievements have been made in this regard.

Hu Jintao said: The deepening of reform and opening up and economic development require a favorable social environment. To establish a socialist market economy, we also need to strengthen legal system construction and standardize market behavior with legal means to ensure a healthy and orderly development of the socialist market economy. Under new historical conditions, we must vigorously strengthen legal system construction. The judicial, procuratorial, and public security work as well as the party's leadership over the work can only be enhanced, not weakened.

On the importance of the building of spiritual civilization and material civilization, Hu Jintao noted: While concentrating our energy on developing economy, we must unswervingly follow Comrade Xiaoping's guiding thought of "upholding the principle of laying equal emphasis on two things and be firm with both hands"—carrying on reform and opening up on the one hand and cracking down on crimes on the other, as well as developing economy on the one hand and enhancing democracy and legal system on the other. We must resolutely crack down on economic crimes and all kinds of hideous phenomena in society. Only by so doing can we ensure a sound development in socialist modernization drive.

Speaking on Tibet's work, Hu Jintao stressed: In the course of building a new socialist Tibet, we must have a clear-cut stand on maintaining the unification of the motherland all along and strengthen unity among nationalities. This work should be carried out in grass-roots units and we should rely on the broad masses of people. Meanwhile, legal weapons should be fully put to use to safeguard Tibet's long-term peace and stability. As long as we earnestly carry out the party's basic line and a series of the central authorities' special policies toward Tibet, strengthen unity among cadres and people of all nationalities and patriots from all circles, cooperate sincerely, and further consolidate and perfect the patriotic united front, we can surely surmount all difficulties and build a united, prosperous, and civilized new socialist Tibet.

Qiao Shi Presides Over Presidium Meeting*OW2403135193 Beijing Central People's Radio
Network in Mandarin 1030 GMT 24 Mar 93*

[From the "National Hookup" program]

[Text] The Presidium of the First Session of the Eighth National People's Congress (NPC) this afternoon held its third meeting at the Great Hall of the People.

Qiao Shi, executive chairman of the presidium, presided over today's meeting.

The meeting recommended that the draft amendment of the PRC Constitution be deliberated by various delegations to the NPC session. Prior to the approval of this recommendation, Qiao Shi said: Various delegations have enthusiastically discussed the amendment of the Constitution drafted by the Seventh NPC Standing Committee and supplementary suggestions of the CPC Central Committee on revising certain contents of the Constitution. Deputies have expressed their approval. Now, 2,383 deputies have put forward a supplementary revision plan for the draft amendment of the Constitution in accordance with the supplementary suggestions of the CPC Central Committee. The executive chairmen of the presidium recommended that the amendment of the Constitution drafted by the NPC Standing Committee and the supplementary revision plan put forward by those deputies be combined into the draft amendment of the Constitution of the PRC, and requested the presidium to make a decision on this recommendation and ask various delegations to deliberate on it. Today's presidium meeting approved this recommendation.

The meeting read a draft resolution on the government work report and approved a motion to submit this draft resolution to the full session for deliberation.

Liu Suinian, chairman of the financial and economic committee, made a report at the meeting on the committee's examination of the implementation of the 1992 national economic and social development plan and a draft plan for 1993, and a report on the committee's examination of the implementation of the 1992 state budget and a draft budget for 1993. Today's presidium meeting approved these two reports.

Today's meeting also approved a draft resolution on the implementation of the 1992 national economic and social development plan and a draft plan for 1993 and a draft resolution on the implementation of the 1992 state budget and a draft budget for 1993. The meeting decided to submit these two resolutions to the full session for vote.

The Guangdong provincial delegation to the NPC session forwarded a proposal to the meeting, suggesting that the First Session of the Eighth NPC approve a decision to establish a preparatory work committee for the preparations committee of the Hong Kong Special Administrative Region. Today's presidium meeting approved the inclusion of this proposal in the agenda of the full

session. After the meeting, the proposal will be printed for deliberation by various delegations.

After hearing an explanation by executive chairman Hu Jintao of the Presidium on various draft namelists, the presidium meeting approved the draft namelists of candidates for the chairman, vice chairmen, secretary general and members of the Standing Committee of the Eighth NPC; president and vice president of the state; chairman of the Central Military Commission; president of the Supreme People's Court; and chief procurator of the Supreme People's Procuratorate respectively. As nominated by the Presidium, the above mentioned draft namelists of candidates will be handed over to various delegations for deliberation and consultations.

Personnel Minister Holds News Conference*OW2503010793 Beijing Central Television Program
One Network in Mandarin 1155 GMT 24 Mar 93*

[News conference by Personnel Minister Zhao Dongwan, moderated by Wang Zheren, executive secretary of the All-China Journalists' Association, with foreign and domestic correspondents at the International Hotel in Beijing: "Special Program of the First Session of the Eighth National People's Congress"—recorded]

[Text] [Announcer] The Press Center of the First Session of the Eighth National People's Congress [NPC] and the First Session of the Eighth Chinese People's Political Consultative Conference National Committee held a news conference this afternoon.

[Wang Zheren] I am very glad to invite Personnel Minister Zhao Dongwan here to answer questions concerning institutional reform, the promotion of the government functionary system, and the reform of the wage system.

[Unidentified reporter] I am a reporter from the Central Television Station. Minister Zhao, China has launched several institutional reforms. What is the difference between this reform and previous ones? In addition to the institutions under the State Council, will this institutional reform be carried out in various localities? Thank you.

[Zhao Dongwan] We have launched two institutional reforms in the 1980's—in 1982-83 and in 1988. What is the difference between this institutional reform with the previous ones? Premier Li Peng has stated clearly in his Government Work Report: This institutional reform will mainly center on the goal of establishing a socialist market economy to change functions, rationalize relations, streamline administration, and improve efficiency on the principles of separating the functions of administration from those of management and simplifying and combining organizations.

Changing government functions and rationalizing relations, which are specifically mentioned here, are fundamental differences from the two previous institutional

reforms, and they are very important features of this reform. One important point is that this institutional reform will be carried out by the central authorities, as well as in the provinces, municipalities, prefectures, counties, and townships, in accordance with the aforementioned principles. Reform programs should be submitted by all provinces and municipalities for governmental approval.

[Reporter in English, fading into Mandarin translation] I am a reporter from REUTER. There have been a great many comments on streamlining government organizations and reducing government personnel. One thing, however, remains unclear: whether the current institutional reform will help streamline government organizations, or whether government personnel will simply be transferred from one organization to another. Also, will the current institutional reform cost government personnel their jobs during the course of reforming government organizations?

[Zhao Dongwan] One of the reform measures is to streamline administration. To streamline administration is to reduce government personnel. The reason is this: Governments at all levels are currently plagued by bloated organizations and overstaffing. This does not serve the needs of a market economy. We need to streamline administration. This point needs to be explained. Also, we have made careful plans for people who will be relieved of their duties. Here are the general plans. First, we will guide some comrades to operate tertiary businesses. Second, we will change qualified government organizations into economic entities. Of course, these economic entities will completely sever their ties with the government. Third, we will use some personnel to strengthen our grass-roots units, including neighborhoods, townships, towns, and some enterprises. We should strengthen these units. Fourth, we will train some personnel and update their skills. Fifth, we will strictly implement the retirement system.

We have devised these plans after conducting investigations and studies and after consulting with various provincial and municipal leaders. I do not think that the current institutional reform will cause job losses as suggested by this gentleman. This is because we have made thorough preparations. We will not push comrades who are relieved of their duties onto society. We regard them as the country's valuable resources in developing social productive forces. We will make proper arrangements for their placement in order to develop productive forces.

[Reporter] I am a reporter from RENMIN RIBAO. The 14th national party congress called for implementing a civil service system as quickly as possible. I would like to ask Minister Zhao about our progress in this respect. Also, how do we implement a civil service system along with reform of the payroll system and institutional reform?

[Zhao Dongwan] During the 14th national party congress, our general secretary said in his report that we should implement a civil service system as quickly as possible. Generally speaking, we have performed several tasks since the 14th national party congress. First, we have amended the regulations on civil servants in accordance with the guidelines of the 14th national party congress. Second, we have formulated measures for implementation at the central and local levels. These are concrete work measures. Third, we have continued to train cadres. This is because the implementation of a civil service system requires efforts by a large number of cadres. Fourth, we have made full preparations for instituting a payroll system for civil servants. Fifth, various provinces and municipalities have initiated preparatory work. These are what we refer to as our tasks in five areas. It can be said that our preparatory work for the implementation of a civil service system has proceeded very well; it is basically complete. As the Chinese proverb goes: "Everything is ready, and all we need is an east wind to set sail." Everything is complete; we will promptly implement a civil service system after the current session of the NPC has approved the reform of government organizations.

Your second question concerns how we should integrate the civil service system with institutional reform and reform of the payroll system. Generally speaking, we will first conduct institutional reform. This is true with both localities and departments. After completing institutional reform—that is, after the NPC session concludes—various ministries and commissions under the State Council will first conduct institutional reform. Before carrying out institutional reform, we will draft a plan to define three elements. Under this so-called plan to define three elements, we will clarify organizational structures, functions, and staffing arrangements. We can then implement a civil service system on this basis. Afterward, we will introduce new wages for civil servants. This is how we will forge an integration. Of course, I need to explain this point a little bit. Because institutional reform will not be carried out at the same time, the payroll system cannot be implemented simultaneously, but the pay schedule will be the same.

[Reporter] I am a reporter from the Guangdong People's Broadcasting Station. My question is whether we will only make minor changes in the current salaries of personnel covered by state plans, or whether we will introduce significant increases in the payroll system for civil servants. What is the approximate amount of the increases if the latter course is chosen? Will the state be able to cope financially if salaries of civil servants are raised significantly?

[Zhao Dongwan] Along with the implementation of a civil service system, we will reform the payroll system. This is a decision that has been made by the party and the government; it is a major event. System reform is one aspect of the current drive to reform the payroll system. This means we will implement three different payroll

systems within the existing framework—an organizational payroll system in government organizations, an institutional payroll system in institutions, and a payroll system based on economic efficiency in enterprises.

The current reform will focus on government organizations and institutions. This is one point. Second, wage increases this time will be larger than during previous reforms of the payroll system. The reason is, because the economy is developing, the party and the government should allow our cadres to enjoy the fruits of economic and social development. Therefore, comparatively speaking, wage increases during the current reform of the payroll system will be larger than in the past. As for the amount of the increase, we are still considering and studying it. We have already disclosed a relevant figure. Our finance minister—Comrade Liu Zhongli—revealed in his report our plans to spend more than 4 billion yuan to reform the payroll system of our government organizations and institutions. Third, we are encountering financial difficulties. These difficulties, however, have arisen during the course of advancement and development. More specifically, they have arisen during the course of economic development. Even so, we still believe that we should resolve the wage problem and reform the payroll system. This once again demonstrates the deep concern of our party and government for the well-being of the people, especially for the well-being of cadres, professionals, and technical personnel.

[Reporter] I am a Beijing correspondent for Singapore's LIANHE ZAOBAO. Minister Zhao has just said that making placement arrangements is crucial to streamlining organizations. How will the Chinese Government create job opportunities?

[Zhao Dongwan] The placement of personnel is a major issue during the current institutional reform; it is also a matter of great concern to the people. As I have just said, placement arrangements will be made through multiple channels and means. These channels and means are not a product of the imagination; they are the results of experiments with institutional reform. It is common knowledge that approximately 500 counties and two provinces across the country are now experimenting with institutional reform. I have just outlined five aspects of their experiences in carrying out these experiments. According to these experiences, first, we will encourage some personnel to set up tertiary businesses. Second, we will allow some qualified government organizations to become economic entities, provided they sever their ties with the government. Third, we will strengthen work at the grass-roots level by sending outstanding cadres to work at grass-roots units. Fourth, we will train some personnel to update their skills. Fifth, we will strictly implement a retirement system. These five channels or means have resulted from our experiments. This is one point.

Second, practice shows that we can accomplish our tasks. We conducted institutional reform in 1988, during which we reformed organs directly under the party

Central Committee and the State Council. We trimmed 10,000 personnel, or approximately 20 percent of the combined work force of those organs. We made fairly good arrangements to resettle them. Moreover, the experiences of the approximately 500 counties and two provinces that I have just mentioned show that we can properly resettle people who have been relieved of their duties. To be sure, we do not exclude the possibility of failing to satisfactorily resettle a tiny number of people. This is quite possible because we cannot satisfy everybody when trimming such a large number of people.

[Reporter] I am a reporter from China Radio International. I would like to ask Minister Zhao about the wage reform that you have just mentioned. I understand that China will implement a new payroll system this year. Please explain in specific terms the features of the new payroll system. Will the new payroll system help resolve the problem of unduly low wages for staffers in government organizations and institutions? Also, please comment on the unduly low wages for intellectuals. Thank you.

[Zhao Wangdao] Generally speaking, we will implement a new payroll system. The new payroll system is based on five principles. First, we will implement different payroll systems in light of the different features of government organizations and institutions. Second, we will raise the wages of personnel—whether they work in government organizations or institutions—to keep pace with the development of the national economy. Third, we will institute a normal promotion system. Fourth, we will properly adjust the pay scale in accordance with the cost of living index. Fifth, we will reform the current system of allocating allowances according to regions.

In short, we will conduct reform in accordance with these five principles. Specifically, we will institute two different payroll systems—a payroll system based on posts and ranks in government organizations and a payroll system based on professional and technical posts in institutions. Specifically speaking, the payroll system for institutions will consist of two components. The first involves fixed salaries. The remunerations for professional and technical posts are constant and represent 70 percent of the payrolls of institutions. The remaining 30 percent are flexible. Examples include the system of allocating subsidies for scientific projects and the system of paying allowances for medical care and clinical treatment. These are all flexible. Organizations and institutions are different. This is in reply to your first question.

With regard to your second question, we need to resolve the problem of unduly low wages for staffers in government organizations. After we implement a new payroll system, people will realize that in keeping with economic development, we have taken a substantial step forward in solving the problem of unduly low wages for government functionaries. In the future, we will take an even larger step to keep pace with economic development. The general principle is that we will roughly match wages

for personnel in government organizations and institutions with the average pay of comparable personnel in enterprises.

Third, we are particularly concerned about issues regarding intellectuals. Over the past two years, we have adopted more than 20 measures to resolve the problem of unduly low wages for intellectuals. For instance, we have instituted various systems of allowances. We have instituted a system of educational subsidies and a system of fixed subsidies in primary and middle schools. We have also implemented a system of allowances for senior staffers who have made special contributions. We have adopted more than 20 measures to resolve the problem of unduly low wages for intellectuals. During the current wage reform, we will pay particular attention to raising the remunerations of intellectuals. This means we will devote particular attention to raising the wages of personnel in schools, hospitals, press units, and science research institutes, as well as the remunerations of artists. After we promulgate our new wages, people will see that our party is giving favorable treatment to intellectuals in terms of remuneration. To be sure, for historical reasons, we cannot resolve all problems through a one-time reform of the payroll system. As far as our guiding thoughts and policies are concerned, we will implement preferential policies and will gradually raise the salaries of intellectuals. On this point, my answer is definite.

On Restructuring, Personnel Cuts

OW2403101393 Beijing XINHUA in English 0946
GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—Some 25 percent of the 9.2 million employees working in the party and government institutions across the country will be cut during the three-year program of the government restructuring, according to Minister of Personnel Zhao Dongwan today.

Zhao said, "The program will not only involve governmental departments, but also party organizations, and not only central government departments, but also institutions at various levels of provinces, cities, counties and townships."

Zhao made the remarks at a press conference here today.

"The aim of carrying out the restructuring program and reform of the administrative management system is to meet the needs of establishing a socialist market economy in China, simplifying administration, separating government function from that of enterprises, and altering certain functions of government institutions," he said.

The number of government employees at all levels to be cut in the program is comparatively big, Zhao said. The government will make appropriate arrangements to re-employ them, he said.

"Nobody will be out of a job," he stated.

Civil Service System Ready

OW2403144293 Beijing XINHUA in English 1402
GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—China is ready to put the civil service system into practice as preparations have been going smoothly, said Chinese Minister of Personnel Zhao Dongwan here today.

"Everything is ready", he said. Once the ongoing session of the Eighth National People's Congress (NPC) approves the government restructuring program, the civil service will be put into practice, he said.

Speaking at a press conference here this afternoon, Zhao said that after the 14th National Congress of the Communist Party of China (CPC) held last October, his ministry has made revisions to the regulations for civil servants and worked out implementation methods and salary system and trained personnel for implementing the work.

He said, the preparation work in various provinces and municipalities are also ready.

"The implementation of civil service system and new salary system for civil servants will be preceded by governmental institution restructuring with regard to the new structure, description of functions and staff," he told the press.

He said that the reform of salary system will go side by side with the start of the civil service system. Three categories of salary systems will be put into practice for government departments, government-run institutions and enterprises.

The salary level in government departments and government-run institutions will rise along with the growth of the national economy, and the pay level of enterprises will be linked with their efficiency.

The salary increase this time will be bigger than ever, he said, adding that the exact amount is still under study.

"The state plans to allocate four billion yuan for the reform of salary systems in government departments and government-run institutions," the minister disclosed.

He said, a new salary system will be implemented at an appropriate time later this year. Government department employees will receive new salaries according to the civil service system and the salary system in government-run institutions will be linked with professional responsibilities.

The new salary system is aimed to raise the personal income of government departments and government-sponsored institutions, which is now on the low side. This will maintain a rough balance between employees in government departments and those in enterprises.

Zhao pointed out that the new salary system is in favor of intellectuals working in schools, hospitals, press, research institutes, and cultural and art organization who are now underpaid.

Speaking of the arrangements for employees to be affected in the government staff cut, Zhao said some of them will be encouraged to start businesses in service sectors; some departments, if conditions permit, will be reformed into economic entities but they must be separated from the government structure; and some people will go to work in the grass-roots units or receive technical training for new job opportunities.

"The cut in the government staff will not create unemployment. The government will not regard those to be affected as a burden, rather they are a new force for promoting development of economy and productivity," he noted.

In response to a question about the fact that a portion of NPC deputies voted against the restructuring plan of the State Council, Zhao said it is normal. The overwhelming majority voted in favor of the plan. Those who voted against and abstained were exercising their right, he said.

Everybody desired restructuring, he said, although some wished it to go faster than others.

Finance Official Endorses State Budget Approval

OW2503002593 Beijing XINHUA Domestic Service in Chinese 1306 GMT 24 Mar 93

[Text] Beijing, 24 Mar (XINHUA)—Today, while reporting to the third meeting of the Presidium of the First Session of the Eighth National People's Congress [NPC] on the execution of the 1992 state budget and on the examination of the draft 1993 state budget, Liu Suinian, chairman of the NPC Financial and Economic Committee, suggested that the session approve the State Council's state budget for 1993 and the report by Finance Minister Liu Zhongli on the execution of the 1992 state budget and on the draft 1993 state budget.

Liu Suinian said: The Financial and Economic Committee holds that, with the impetus provided by Comrade Deng Xiaoping's important remarks made during his inspection tour of south China in early 1992 and by the 14th CPC National Congress guidelines, China's economy achieved a high growth rate last year and the execution of the state budget was basically good. During the course of executing the 1992 state budget, financial and taxation departments under the leadership of governments at various levels provided support to economic development, reform, and opening up; to the various policies and measures designed to improve the management of large and medium state enterprises; and to the development of various projects and undertakings.

Liu Suinian said: The Financial and Economic Committee contends that the main problem in executing the 1992 state budget was that financial deficits exceeded

projected figures, and this was mainly because of localities' deficits. This shows that the budget was not effectively binding and that spending was not strictly controlled. We should keep a close watch on deficits in local budgets and should take practical and effective measures to resolve this problem.

Liu Suinian said: The Financial and Economic Committee examined the draft 1993 state budget and realized that the draft took into consideration the factor that financial revenues will increase as the economy develops, as well as the factor that revenues will decrease and expenditures will increase as a result of support for key construction projects and as a result of efforts to improve the people's livelihood. In general, arrangements for revenues are positive and expenditures were decided according to the principle of imposing strict control. The committee suggests that, after the 1992 state's final account is completed, the NPC Standing Committee be authorized to examine and approve the draft budget.

Liu Suinian said: The Financial and Economic Committee endorses the State Council's measures for executing the 1993 state budget and puts forward the following suggestions:

- 1) We should actively organize revenues and further strengthen tax collection and management.
- 2) We should strictly manage expenditures and enhance financial and economic discipline.
- 3) We should thoroughly carry out various concerned policies and measures to enable the economy to develop further.
- 4) We should strengthen budget management and quicken the pace of the legislation of financial and taxation laws.

Liu Suinian said: The 1993 state budget, after it is approved by the NPC, must be strictly executed. If some parts of the budget need to be adjusted in the process of execution, it must be submitted to the NPC Standing Committee for examination and approval, as stipulated in the Constitution. No localities and departments are allowed to arbitrarily reduce revenues and increase expenditures. The people's governments of all provinces, autonomous regions, municipalities, cities, and counties must strictly act within their means, are not allowed to draw up budgets that plan for overall deficits, must maintain a balance between income and expenditures, and are not allowed to incur deficits in executing their budgets. The State Council should take very effective measures to strictly keep 1993 budget deficits within the limits approved by the NPC, and it should strive to reduce the deficits.

Liu Suinian said: Financial deficits are very harmful to the steady development of the economy. We must be

determined to resolve the deficit problem within three years or soon thereafter by increasing revenues and reducing expenditures.

Liu Suinian said: Financial departments should make serious efforts to broaden the scope of the experiment on separating taxes from profits and to implement the individual taxation system on a trial basis. We should accelerate the legislation of financial and taxation laws, and we should quicken the process of drafting and legislating budget laws, taxation laws, and other related laws. The Budget Law is one of the major economic laws. We suggest that the State Council submit the draft Budget Law by the end of this year to the NPC Standing Committee for examination so that it can be submitted to the NPC next year for examination and approval.

Law Society Deputy on Constitutional Studies

OW2403080693 Beijing XINHUA in English 0730
GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—Constitutional study has become a separate branch of learning with Chinese characteristics in China, said a leading scholar on China's Constitution.

Wang Shuwen, director general of the Constitutional Institute of the China Law Society, said all provinces, municipalities and autonomous regions have established constitutional institutes with over 500 people engaged in the study of the Constitution throughout the country.

Wang, who is a deputy to the Eighth National People's Congress, told XINHUA the constitutional institutes have organized scholars, teachers and judicial workers to conduct study and academic exchange through various forms. They have achieved valuable academic results and promoted development of Chinese constitutional theory.

At present, all the colleges and departments of political science and law have included constitutional studies in their syllabus and the faculties have also established constitutional teaching and research offices. Since 1978 China has also trained several dozen doctors and 100 postgraduates in constitutional studies.

In order to stimulate the study of the constitution that has been in force since 1982 when the fourth constitution of the People's Republic of China was promulgated, the Constitutional Institute of the China Law Society has organized annual academic symposiums. In the past decade over 100 titles of books and 1,000 articles on the current constitution have been published.

Wang Shuwen said the study of Chinese Constitution started in 1949 following the founding of the People's Republic of China. The constitutional study in China has experienced phases of development, setbacks, rapid resumption and vigorous development.

He said the study of the Constitution in China covers the following aspects: the concepts and force of the Constitution of China, its basic principles, its role in the socialist law system, the relationship between Constitution and the people's congress system, basic rights and duties of Chinese citizens, guarantees for the implementation of the Constitution, the relationship between the Constitution and the concept of "one country, two systems," its role in guaranteeing and promoting reform and opening to the outside world, and its role in building the socialist market economy.

Chinese scholars have also conducted comparative study between Chinese and foreign constitutions and absorbed experiences from abroad. The Constitutional Institute of the China Law Society joined the Belgrade-based International Association of Constitutional Law in 1986.

Wang Shuwen, who participated in drafting the 1982 Constitution, said in drafting its Constitution, China paid attention to assimilating experiences of foreign countries with regard to social, economic, political systems, rights and duties of citizens, state organs and guarantees for the implementation of constitutions.

Wang said the current Constitution of China has absorbed experiences of Western countries in several fields such as the interpretation of the Constitution, the electoral system, the system of guarantees for the implementation of the Constitution and the stipulation that state leaders should serve no more than two consecutive terms.

Presidium Approves Draft Constitutional Amendment

OW2503024793 Beijing XINHUA Domestic Service in Chinese 1432 GMT 24 Mar 93

[Text] Beijing, 24 Mar (XINHUA) —The Presidium of the First Session of the Eighth National People's Congress [NPC] held its third meeting this afternoon. The Presidium proposed that the draft amendment to the Constitution of the NPC, which was forwarded by the NPC Standing Committee, and the supplementary revision to the draft amendment to the Constitution, which was submitted by deputies, be merged as the draft amendment to the PRC Constitution. The Presidium also proposed that this draft amendment be examined and approved by the various delegations.

Qiao Shi, executive chairman of the Presidium, presided over today's meeting.

Since 22 March, various delegations to the First Session of the Eighth NPC have zealously discussed the constitutional amendment drafted by the Seventh NPC Standing Committee and the CPC Central Committee's supplementary suggestions on revising certain parts of the constitution, and the deputies have expressed their approval. Following deliberations, 2,383 deputies have forwarded a supplementary revision proposal for the

draft amendment to the Constitution in accordance with the supplementary suggestions of the CPC Central Committee.

Because the First Session of the Seventh NPC approved Articles 1 and 2 of the draft amendment to the Constitution on 12 April, 1988, the draft amendment to the Constitution submitted by the current session will begin with Article 3. The meeting unanimously approved a motion to submit the draft constitutional amendment to all delegations for deliberation.

The meeting also approved a draft resolution on the Government Work Report, which will be submitted to the delegations of deputies for examination and approval; approved the examination reports delivered by Liu Suinian, chairman of the Eighth NPC Financial and Economic Committee, on national economic and social development for 1992 and the draft plan for 1993, as well as the reports on the implementation of the 1992 national budget and the draft national budget for 1993, which will be published for distribution to all deputies; and approved the draft resolutions on the aforementioned national economic and social development reports for 1992 and the draft 1993 plan, which will be published for examination by various delegations before being submitted for a vote by the full session.

The Guangdong provincial delegation proposed a motion to the NPC session requesting that it pass a resolution to set up a preliminary work committee for the preparatory committee of the Hong Kong Special Administrative Region. According to the NPC's rules of procedure, the Presidium must decide whether motions forwarded by deputies need to be included on the session's agenda. Following deliberations, the executive chairmen of the session's Presidium proposed that the motion be included on the session's agenda. The Secretariat of the current session had prepared a draft resolution in accordance with this motion put forward by the Guangdong delegation, and it was studied and approved by the executive chairmen of the Presidium before being submitted to the Presidium for examination and approval.

Today's Presidium meeting separately approved the Guangdong delegation's motion and the draft resolution prepared by the session's Secretariat, and these two documents will be published and distributed to the various delegations for examination.

The meeting also heard an explanation given by Hu Jintao, executive chairman of the Presidium, on various name lists as recommended by the CPC Central Committee, including candidates for chairman, vice chairmen, secretary-general, and members of the Standing Committee of the Eighth NPC; for president and vice president of the state and chairman of the Central Military Commission; for president of the Supreme People's Court; and for procurator general of the Supreme People's Procuratorate. The meeting respectively approved these draft lists of candidates,

which, in turn will be handed over as nominations by the Presidium to the various delegations for deliberations and consultations.

Jurist on Including Party System in Constitution

OW2403095693 Beijing XINHUA in English 0940 GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—Enshrining the system of multi-party cooperation and political consultation in China's constitution has great significance, according to a Chinese jurist.

According to the draft amendments to the constitution, which is being deliberated by the Eighth National People's Congress (NPC) now in session, the preamble of China's constitution will be added with the words: "The multi-party cooperation and political consultative system under the leadership of the Chinese Communist Party will exist and develop over a long period of time."

"This will mark the legalization of China's party system," said Chen Chunlong, a member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) and director of the Institute of Legal Sciences under the Chinese Academy of Social Sciences.

Since the end of last year, China Democratic National Construction Association (CDNCA), one of the eight democratic parties in China, has held several meetings to discuss amendments to the constitution.

Experts and scholars attending the meetings came to the conclusion that the preamble of the constitution should stipulate in definitive terms the multi-party cooperation and political consultative system as a basic political system of the country.

The CDNCA's proposal was put forward to the Central Committee of the Communist Party of China (CPC) last March 1, which asked relevant departments to consider the proposal.

Chen, a member of CDNCA, has long conducted studies on the subject listed as a major research project for the 7th Five-Year Plan period.

Chen said inclusion in the constitution of the party system, different from those in other countries, will have world significance.

Chen said that, different from other united front organizations in terms of leadership, organizational structure and position in the country's political life, multi-party cooperation and political consultation under CPC is an important form of organization and plays an important role in the political affairs of the country.

However, the jurist said, the existing constitution, which was adopted in 1982, neither mentions multi-party cooperation, nor contains a definitive stipulation on the

position and role of the Communist Party and the democratic parties in the multi-party cooperation system.

As a result, the jurist said, multi-party cooperation, as "China's basic political system," lacks constitutional basis.

All the democratic parties hope to enshrine the system in the constitution to avoid doing things at will.

Anhui Governor Interviewed on Development

OW2503002293 Beijing XINHUA Domestic Service in Chinese 0314 GMT 24 Mar 93

[Report on interview with Anhui Governor Fu Xishou by Wang Zhengzhong (3769 2973 1813) and Chi Maohua (3069 5399 5363) in Beijing; date not given]

[Text] Beijing, 24 March (XINHUA)—Mentioning Anhui, quite a few people would associate the province with disaster and poverty. However, Fu Xishou does not share this view. In an interview with these reporters, the Anhui governor, who is attending the First Session of the Eighth National People's Congress, said: "Admittedly, disaster occurs quite often because of 'trouble' caused by the Chang Jiang and Huai He; but I disagree with the view that we are poor."

Flipping through a copy of statistical materials recently released by the State Bureau of Statistics, the governor cited a host of figures to substantiate his statement. Last year, Anhui's overall economic performance basically recovered to the level before the disaster: The incremental value of industry and the margin of increase ranked 17th and ninth in the country, respectively; the overall economic performance of industry and the margin of increase ranked fifth and third in the country, respectively; bumper harvests were reaped in agriculture, with the output of grain, oil-bearing crops, and cotton all reaching the second best year in history; the number of foreign-funded enterprises approved and the volume of foreign capital utilized were, respectively, 2.5 and 3.5 times the total in the preceding eight years; the volume of exports and imports increased 28.8 percent; and the gross provincial product and total volume of retail sales both ranked 14th in the country, with the output of some products such as washing machines, refrigerators, and TV sets joining the top ranks nationwide. These figures show that Anhui ranks in the middle in terms of comprehensive economic strength.

Speaking in a Beijing accent, Fu Xishou told reporters: "My statement has dual purposes. First, to ourselves, poverty is not a dignified thing; if we often say we are poor, people still cannot give much help and will only look down upon us. Second, to foreigners, an image of poverty can undermine our effort to open up Anhui; who wants to invest in an impoverished place?"

At this point, Fu Xishou changed the topic: "Compared with the advanced coastal regions, we are relatively

backward. Facing up to this reality, we should exert ourselves and strive for advancement. Meanwhile, we should also be inspired by a correct assessment of ourselves. This is a dialectical approach."

Fu Xishou, a graduate of Qinghua University in the early fifties, took up the leading post in Anhui in 1987 after devoting himself to economic affairs for a long time. Fully confident of Anhui's economic development, he said: "So far, we have made a good start in achieving fast economic growth. The task now is to maintain the fast-growth momentum and push the provincial economy to a new height."

According to him, in accelerating Anhui's economic development, it is necessary to achieve breakthroughs in two areas: 1) We should concentrate efforts on importing technology to upgrade and reorganize the existing enterprises so they can become highly efficient industrial enterprises producing high value-added and quality products, thereby accelerating the pace of technologically upgrading industry and the process of industrialization. On the basis of upgrading industry, we should take further steps to enable the high value-added and highly efficient industries to become an important pillar for the provincial economy. 2) We should energetically develop village and town enterprises. All kinds of measures should be adopted to promote the development of village and town enterprises in diverse areas and facilitate their speedy growth.

"These are the two wings for Anhui's economic take-off," the governor figuratively said.

"To sustain Anhui's fast economic growth, we must lay sound foundations for building up the strength for future development, paying particular attention to the construction of infrastructure and basic industries," the governor said. First, he said, we should pay attention to agriculture. Anhui's position as a major agricultural province dictates that in the next few years, it should continue to reinforce agricultural infrastructure, concentrating efforts on stepping up the construction of fine-quality, highly efficient, and high-yield agriculture; actively developing fine quality and export-oriented farm products; promoting intensive and serialized processing of farm and subsidiary products; and raising their added value at various levels and by a wide margin, thereby turning the advantage in resources into an economic advantage. Second, comprehensive transportation and information transmission networks—which are rationally structured and technologically advanced, and which are convenient, expeditious, and accessible to all—should be established as quickly as possible. Third, regarding energy and raw and semifinished materials industries, we should build iron and steel, cement, petroleum, heavy chemical industry, energy, and nonferrous metals bases for promoting the exploitation, utilization, and intensive processing of resources. Meanwhile, we should carry out a number of major projects that are oriented to markets and are capable of building up the stamina for economic development.

Jiang Zemin Talks With Guangdong Delegation**Urges Promoting Better Development***OW2403142493 Beijing Central People's Radio Network in Mandarin 1030 GMT 24 Mar 93*

[From the "National Hookup" program]

[Text] General Secretary Jiang Zemin joined the Guangdong delegation's discussion this morning. He said that in 14 years of reform and opening up, Guangdong has obtained tremendous achievements in economic and social development and has accumulated rich experience from reform and development. Now that Guangdong enjoys certain advantages in economic strength, social conditions, and practical experiences, it can achieve faster and better development in the future.

Yu Fei, vice chairman of the Standing Committee of the Guangdong's People's Congress, presided over the discussion. After hearing several delegates' opinions, Jiang Zemin said Guangdong is one of the provinces in the nation which established the most special economic zones. He noted that practices in the past decade have shown that running special economic zones and making them play the role of "windows" to the outside world is absolutely necessary and correct. This has fully shown the farsightedness and down-to-earthness of Comrade Deng Xiaoping. Jiang Zemin continued: People in special economic zones should be bolder in studying, absorbing, and borrowing the general experience of foreign countries in developing a market economy; they should also closely integrate foreign experience with our country's conditions and with the reality of the special economic zones, thus making renovations. It is also necessary to do our best to display the special characteristics and styles of China's special economic zones from the economic, cultural, and social aspect. To meet the new challenges, he stressed the need for the people in the special economic zones to raise the level of reform and zone construction.

Jiang Zemin said it is unavoidable that the development of the economy will bring forth the problems of unbalanced regional development. He said it is correct and good for Guangdong to take vigorous steps to help people in mountainous areas rid themselves of poverty and become better off as quickly as possible. Areas should render support and help one another in the course of economic development. They should strive to simultaneously raise economic levels to new heights and to achieve common prosperity.

Jiang Zemin said that since our modernization construction is still in an early stage, it is therefore necessary to vigorously promote the following qualities among all party members and among the people: emancipating the mind, seeking truth from facts, exploring aggressively, renovating boldly, struggling hard, forging ahead despite difficulties, learning from foreign countries, making unceasing efforts for self-improvement, being humble,

being cautious, refraining from conceitedness and impetuosity, working with one heart and mind, taking the overall situation into consideration, being hardworking, being thrifty, running a clean government, making vigorous efforts to make the country prosperous, and making selfless contributions. He said the above qualities should be vigorously promoted among the cadres and masses, and should exist throughout the entire process of socialist modernization construction. This is one of the important tasks in the course of building a socialist spiritual civilization. He expressed the hope that Guangdong will also create new experiences and take the lead in the nation in this respect.

Role of SEZ's Viewed*OW2403134693 Beijing XINHUA in English 1314 GMT 24 Mar 93*

[Text] Beijing, March 24 (XINHUA)—Chinese Communist Party General Secretary Jiang Zemin today urged China's special economic zones (SEZ) to further study foreign practices in developing a market economy with a view to playing a better role as the nation's "experimental grounds" for reform and opening to the outside world.

Jiang offered his advice at a discussion of Guangdong deputies to the National People's Congress, who were deliberating the draft amendments to the country's constitution.

Facts have shown, Jiang said, that establishment of SEZs, which have been playing the "roles of experimentation, exploration and promotion" for China's reform and opening, "is absolutely correct and shows the foresight and wisdom of Comrade Deng Xiaoping." Jiang said.

"The SEZs need to further study, learn from and make use of the good experience of foreign countries in developing a market economy in a creative manner and in the light of national and local conditions," Jiang said. "They should be boom cities with Chinese characteristics."

The SEZs should cross a new threshold in both reform and economic development to meet new challenges. Jiang said, urging them to improve their industrial structure, enhance competitiveness and fully utilize existing advantages.

He called on the SEZs to develop themselves into cities with capital-, knowledge- and technology-intensive economies.

Speaking of the remarkable achievements made by Guangdong, which has three of China's five SEZs, Jiang said the province now has an edge in economic strength, social conditions and practical experience.

He expressed the conviction that Guangdong will continue to have "faster and better" economic development.

On imbalanced development of different regions, Jiang said disparity is unavoidable. The question exists in Guangdong Province as well as in other parts of China.

Different regions should support and promote each other to realize common prosperity, he said.

Jiang expressed appreciation of Guangdong taking measures to promote economic development in its mountainous regions.

Optimistic on Hong Kong's Future

HK2503041593 Hong Kong WEN WEI PO in Chinese
25 Mar 93 p 2

["Dispatch" by the WEN WEI PO reporting group: "Jiang Zemin Expresses Optimism About Hong Kong's Future and Reiterates the Implementation of 'One Country, Two Systems'"]

[Text] Beijing, 24 Mar—When attending the Guangdong delegation's discussions this morning, CPC General Secretary Jiang Zemin reiterated China's position on the Hong Kong issue and said that Hong Kong will be returned to the motherland in 1997. He added that China will certainly implement the "one country, two systems" policy and will not send troops to take over Hong Kong. He was very confident about Hong Kong's stability and prosperity. He analyzed the current Hong Kong issue by quoting a sentence from a poem by Mao Zedong, which reads: "Range your eyes far over long vistas," hoping that people would stand tall and look far ahead instead of paying attention only to the present. The future is bright.

Jiang Zemin said the Opium War was a disgrace for China and the Chinese nation. He once went to Guangdong for inspection. When he visited the Humen battery, which was full of gun smoke at the time, he deeply felt the humiliation. The Chinese Government is therefore determined to take Hong Kong back.

Jiang Zemin continued: I have told various provincial and city cadres that the Central Government will implement "one country, two systems" in Hong Kong after 1997, rather than send a large number of troops to take over Hong Kong; Hong Kong's situation is different from that of Shanghai in the past. In implementing "one country, two systems," we hope that Hong Kong will remain stable and prosperous after it has returned to China, as otherwise Hong Kong could become a dead port. Therefore "one country, two systems" is unshakable. Moreover, China has repeatedly stressed that Hong Kong will remain unchanged for 50 years, which indicates the long-term nature of its policy.

Jiang Zemin added: Maintaining Hong Kong's stability and prosperity is beneficial to China, Hong Kong, and Britain. He expressed an optimistic attitude on Hong Kong's future, adding that the general trend of Hong Kong's development is good.

Apart from the Hong Kong issue, Jiang Zemin also talked about Guangdong's reform and opening up. He said: Guangdong is the province in China that has the most special economic zones. The ten or so years of practice have shown that building special economic zones to display the role of the "four windows" has played a role in experimenting, exploring, and promoting reform and opening up throughout the country. This is completely correct. This point fully suggests Comrade Xiaoping's farsightedness.

Jiang Zemin continued: Special economic zones should further study, absorb, and learn from foreign countries' good experiences of all kinds in developing the market economy. In light of China's national conditions and the special economic zones' specific conditions, they should create new things and enrich these experiences, aiming to give full expression to the characteristics, manners, and styles of special economic zones.

Jiang Zemin also talked about how to treat the situation of imbalanced development between regions. He said: It is impossible for different localities to make progress in economic development at the same rate. There are faster and slower development rates, and disparities are inevitable, but these disparities should be moderate. Different localities should support and promote one another so that they will finally arrive at a common level of improvement and common prosperity.

Zhu Rongji, Henan Group on Enterprise Regulations

OW2403145893 Beijing XINHUA in English 1449
GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—Despite its limitations, "Regulations on Changing the Operating Mechanism of State-Owned Industrial Enterprises" (regulations) is the best for China's state enterprises under the country's existing conditions, said Zhu Rongji, vice-premier of the State Council.

Zhu made the remark today at a discussion of Henan deputies to the National People's Congress now in session here.

"We should fully recognize and correctly evaluate the role of the regulations," he said. "It was worked out and approved by the State Council on the basis of an extensive pooling of views from all quarters."

Zhu said the regulations is a summation of past successful experience and is "easy of operation."

"It is a powerful weapon for improving the performance of state enterprises and for changing their operating mechanism," he said.

Zhu conceded that there is now a tendency to overlook the role of the regulations.

"This is not beneficial to state enterprises in changing their way of operation and in ensuring their decision-making power," he said.

Zhu admitted that the regulations, a product of historical conditions, has limitations and that successful implementation requires supportive exterior conditions.

According to Zhu, these conditions are: the government must change its functions so that it ceases to manage enterprises directly; and the market must play a basic role in the allocation of resources.

The vice-premier called for doing three things: formulating detailed regulations for the implementation of this charter for state enterprises; straighten out property right relations to ensure that state assets will not lose but increase their value; and strengthen supervision over state enterprises.

In conclusion, Zhu called for governments at all levels to combat corruption as well as the production and marketing of inferior and fake products, including fake medicine.

"It should be an important part of government work at all levels," he said.

Macao Deputies Discuss Macao Basic Law

OW2403143993 Beijing XINHUA in English 1425 GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—The draft Basic Law of the Macao Special Administrative Region, which will be submitted for approval to the current session of the National People's Congress, will provide a political guarantee for Macao's future stability and development.

That is a common understanding reached among national committee members from Macao of the Chinese People's Political Consultative Conference (CPPCC) now in session.

While reflecting the policy of "one country, two systems," the draft Basic Law ensures a high degree of autonomy of the future special administrative region, along with specific stipulations on points of particular importance to Macao, and conforms with Macao's reality, according to the CPPCC members.

They called the Basic Law, together with that of Hong Kong, "unprecedented experience in the world."

Ma Man-kei, chairman of the Chinese General Chamber of Commerce of Macao, said that the drafting of the Basic Law was finalized after four years' repeated consultations with people of all the circles from Macao and the mainland.

The Basic Law, which maps out Macao's future in details, implements the policy of "one country, two systems," and will play "an extremely important role" in ensuring long-term stability and development of Macao, he said.

Since July 1991, more than 100 revisions have been made to the draft put up for soliciting opinions and 26 proposals put forth for revising the draft Basic Law, of which 18 were adopted at a plenary meeting of the drafting committee.

Tou Hoi lu, vice chairman of the Chinese General Chamber of Commerce of Macao, who is also a Standing Committee member of the Consultative Committee for the Macao Basic Law, said Macao compatriots generally regard the present draft as realistic, which takes the interests of Macao residents into full account.

Lee Shing Chun, president of the MACAO DAILY and a member of the Basic Law Drafting Committee, said while the general structure and main principles of the Macao Basic Law are the same as those of the Hong Kong Basic Law, there are special provisions in the former based on the political, economic, cultural, historical and social conditions of Macao.

For example, the interests of the more than 10,000 residents of Portuguese descent are taken into consideration, with particular provisions on their salary, subsidies and welfare, he said. Also, Portuguese as well as Chinese are stipulated as official languages of Macao.

Once the Basic Law is promulgated and implemented, Macao will play a bigger role as "a window and bridge" for the reform, opening up and modernization drive of the mainland, the CPPCC members said.

Delegate on Planned Joint Observatory Project

OW2403082693 Beijing XINHUA in English 0655 GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—Astronomers from China, Japan and the Republic of Korea are planning to establish a northeast Asia observatory in order to achieve world first-class results in observing stellar systems.

Liu Caipin, a research fellow with the Purple Mountain Observatory, who is attending the national congress [as received] as a deputy here, told XINHUA that a proposal for the establishment of the largest ground-based observation center in Asia was passed at the second northeast astronomy conference held in Seoul last November.

On behalf of the Purple Mountain Observatory, Liu signed a memo for the observatory's establishment with the Japanese state observatory last February.

Under the memo, Chinese and Japanese astronomers will look for an appropriate location for the observatory in a desert dry area of Xinjiang and the highland of Qinghai.

A year-round clear sky and quietness make the two areas suitable as sites for an observatory, he said.

As the Taiwan Astronomic Society has expressed support for the proposal, Liu said the observatory can be established in Taiwan if a more ideal location can be found there.

Chinese, Japanese and ROK astronomers have also agreed that the jointly-funded observatory can be established in Hawaii if no ideal location could be found in Asia.

The Chinese Academy of Sciences has expressed support for the project and proposed establishing a promotion committee to find more sources of funds.

Liu said the proposed observatory will be equipped with the most advanced optical, infrared, millimeter and submillimeter celestial telescopes and observation facilities.

Legal Experts 'Criticised' Constitutional Changes

HK2503060593 Hong Kong SOUTH CHINA
MORNING POST in English 25 Mar 93 p 10

[By Willy Wo Lap-lam]

[Text] Senior legal experts have criticised current efforts to amend the Constitution as "conservative" and "lacking in foresight".

The amendment of the 1982 charter is a major feature of the National People's Congress and deputies yesterday finished tabling proposals for the revision.

The thrust of the revision is inserting clauses spelling out that China would implement a "socialist market economy" and that the non-state economic sector could play a sizeable role.

Politically, the only significant amendment is the addition of the principle of "multi-party co-operation and political consultation under Chinese Communist Party leadership".

In an interview with the Chinese media yesterday, University of Political Science and Law professor Mr Jiang Ping complained that the ideas of legal circles were not "liberated enough".

"The Chinese approach towards constitutional amendments is, if changes are not absolutely necessary, no changes will be considered," he said.

"Only if amendments are unavoidable will they be made."

The noted scholar pointed out that past constitutional revisions showed the exercises "did not have too much foresight".

He said that statutes for a market economy should "manifest the rules and rhythms of market economics," hinting that ongoing efforts at legislation and constitutional reform were lagging behind the times.

A leading constitutional lawyer in Beijing said: "Even constitutional experts with conservative reputations have expressed disapproval of the proposed amendments."

He indicated the focus of criticism was that clauses specifying the supreme role of Marxism-Leninism, Communist Party leadership, and "the proletariat dictatorship" would be retained.

"No provisions have been made to accommodate the people's aspirations for political reform," the lawyer said.

Yesterday, 2,383 deputies filed a joint package of proposals, including the clause about "multi-party cooperation".

According to legal expert Mr Chen Chunlong, who is also a member of the Chinese People's Political Consultative Conference, the amendment would "mark the legalisation of China's party system".

Mr Chen claimed this clause on the Chinese-style party system would have "world significance".

China analysts said, however, the ruling on Communist Party leadership in "multi-party cooperation" would put severe restrictions on the activities of the eight "democratic parties".

Most Hong Kong congress deputies interviewed by the New China News Agency yesterday expressed unreserved support for the proposed revisions, which are expected to be passed by the NPC next week.

Chinese sources said patriarch Mr Deng Xiaoping had personally determined the "general drift" of the amendments.

Wang Zhaoguo on Relations Across Taiwan Strait

OW2503124393 Beijing XINHUA in English 1228
GMT 25 Mar 93

[Text] Beijing, March 25 (XINHUA)—The relations between the two sides of Taiwan Strait have developed steadily in recent years, a top Chinese official in charge of Taiwan affairs said here today.

When hearing views and opinions of Taiwan deputies to the Eighth National People's Congress (NPC) today, Wang Zhaoguo, director of the Taiwan Affairs Office of the State Council, said, "We welcome any changes of the political situation on Taiwan island which will facilitate development of relations between the two sides and peaceful reunification of the motherland; we are resolutely opposed to anything that will hamper the reunification."

Safeguarding unification of the motherland is the tradition of the Chinese nation and peaceful reunification of China at an early date is the common aspiration of the whole nation, Wang said.

He said the Communist Party of China (CPC) and the central government have repeatedly put forward proposals for contacts and negotiations at an early date in order to put an end to the hostile state between the two sides of Taiwan Strait and gradually realize peaceful reunification. "We hope the Taiwan side will make a positive response," he said.

He noted Chinese people on both sides of the Taiwan Strait agree that there is only one China. In order to end the split and realize reunification of the motherland, it is necessary to have talks first, he said.

"We have always suggested talks between the two parties. This proceeds from the realistic conditions such as the status and roles of CPC and Kuomintang and aims to avoid questions that the Taiwan side considers inconvenient," he said.

"CPC General Secretary Jiang Zemin has made it explicit: Other parties and organizations can send representatives to attend the talks between the two parties," he added.

"The current issue is to end the hostile state and establish contacts as soon as possible and make preparations for talks in next step. As for the contents of the talks, they can focus on ending the hostile state, realizing peaceful reunification gradually or on the questions the Taiwan side is interested in. The forms of negotiations can also be discussed in the contacts to find the proper way for both sides," Wang said, adding that under the principle of the recognition that there is only one China, when the two sides sit down for talks, any issues can be discussed and settled through consultations.

Wang made an explanation on the "strong measures" China would take to prevent any actions aimed at bringing about the independence of Taiwan and severing it from the motherland, which was mentioned in the government work report delivered by Premier Li Peng at the current NPC session.

He said the central authorities have repeatedly reiterated "the stand that we don't promise to give up use of military force is not aimed at the Taiwan people, but is directed against the foreign forces that undermine the reunification of China and support independence of Taiwan. This is very definite."

"We place still greater hopes on Taiwan people in realizing peaceful reunification," he said.

He pointed out that it is necessary to pay close attention to the fact that a small number of elements advocate independence of Taiwan and some foreign forces support the "Taiwan independence" force to deliberately create obstacles to China's reunification. "By no means will Chinese people agree with this," he said.

"If a situation of independence of Taiwan looms or foreign forces interfere in the Taiwan issue, we will resolutely take all necessary strong measures to safeguard state sovereignty and territorial integrity," Wang said.

Democratic Party Leaders Hold News Conference

OW2503132393 Beijing Central People's Radio
Network in Mandarin 1030 GMT 25 Mar 93

[From the "National Hookup" program]

[Text] The Information Center for the current sessions of the National People's Congress [NPC] and the Chinese People's Political Consultative Conference [CPPCC] held a news conference for Chinese and foreign reporters at the International Hotel in Beijing this morning. Responsible persons of the Revolutionary Committee of the Chinese Kuomintang [KMT], the China Zhi Gong Dang, and the Taiwan Democratic Self-Government League answered questions from reporters on how China's democratic parties carry out supervisory functions and actively participate in the administration and discussion of state affairs.

Answering a question about the function of democratic parties in building socialism, Luo Haocai, vice chairman of the China Zhi Gong Dang Central Committee, said: The Zhi Gong Dang's aim is to revitalize the Chinese nation and reunify the motherland. More than 2,000 Zhi Gong Dang members have been elected NPC deputies and CPPCC members in recent years. They have forwarded more than 4,000 pieces of legislation and proposals at NPC and CPPCC sessions. China Zhi Gong Dang members have also engaged in studies of regional planning and strategic economic development in some provinces.

Discussing relations with the CPC and democratic progress, Peng Qingyuan, standing vice chairman of the Revolutionary Committee of the Chinese KMT Central Committee, said: China is a country of socialist democracy. To achieve liberation and democratic progress of the country, the CPC and other democratic parties have made positive contributions. The CPC represents the interests of people across the country. As a democratic party, we believe that the CPC is fully equipped with the ability to lead us in building a democratic socialist country.

Talking about policy towards Taiwan, Zhang Kehui, vice chairman of the Taiwan Democratic Self-Government League, said: Taiwan is a part of China's territory. We are resolutely opposed to the idea of "one China, one Taiwan." We have not changed our Taiwan policy, that is, peaceful reunification and the concept of "one country, two systems."

Parties Urge Overseas Students To Return

OW2503092993 Beijing XINHUA in English 0905
GMT 25 Mar 93

[Text] Beijing, March 25 (XINHUA)—Leaders of China's democratic parties call for Chinese students studying abroad to come back to contribute to their motherland.

The leaders made the call at a press conference held here today.

They are in Beijing attending the National People's Congress or Chinese People's Political Consultative Conference.

Peng Qingyuan, of the Revolutionary Committee of the Chinese Kuomintang, said, "We are in favor of the state policy of sending students to study abroad."

Peng said China needs them in its economic development.

"We should let them know about the progress of the country's reform and development so that they will come back to serve," he said.

Peng expressed appreciation of measures taken by the state to improve the living and working conditions of returned students.

Luo Haocai, of China Public Interest Party, said, "My party has always supported the policy of sending students abroad for study, because they can become specialists needed by their motherland."

Efforts should be made by the state to encourage those who have completed their studies to come back, he said.

Many returned students have accomplished remarkable achievements in their respective fields, he said.

Tibetan Deputies Examine Work Reports

OW2503125193 Beijing XINHUA Domestic Service in Chinese 0011 GMT 25 Mar 93

[By XINHUA reporters Luobu Ciren (5012 1580 2945 0088) and Wang Jinfu (3076 6855 4395)]

[Text] Beijing, 25 Mar (XINHUA)—While deliberating the work reports of the Supreme People's Court and the Supreme People's Procuratorate in the past few days, members of the Tibetan delegation held animated discussions on public order, construction of the legal system, and building of the two civilizations. Their consensus is that in the new era of deepening reform and opening the country wider to the outside world, it is imperative to continue to consolidate the political situation characterized by stability and unity so as to facilitate a faster social and economic development in Tibet and the country as a whole.

Tibetan deputies, who have personally experienced vicissitudes of history on the high plateau, are more aware than others of the importance of social stability and national tranquillity to social and economic development. With deep emotion, deputy Raidi said: "Both reports of the Supreme People's Court and Procuratorate stress the necessity of strengthening the judicial, procuratorial, and public security work in the new era. The situation in Tibet over the years testifies that whenever stability prevails in society, Tibet's economy will

advance; and wherever instability emerges, Tibet's social and economic development will be impeded."

Taking over the subject, Lhasa Mayor Luosang Dunzhu said: "Harassments [sao rao 7510 2371] by hostile forces abroad and a handful of splittists inside the territory in recent years dissipated the concerted efforts to promote economic construction by departments at various levels and cadres and people at large in Tibet, arousing concern among the masses in Tibet. Today cadres and the masses have become more and more aware of this situation."

Noting the widening gap between Tibet's economy and that of the hinterland provinces and municipalities, deputies said that Tibet needs social stability even more to concentrate efforts to promote economic construction. Deputy Luosang Langjie, who is Qamdo prefectural commissioner, said: "Poorly educated or illiterate, most Tibetan peasants and herdsmen are ignorant of the laws and ways to seek legal protection. Therefore, in promoting the construction of the socialist legal system, we should step up efforts to popularize knowledge of laws while cracking down on crimes." Deputy Gyaincain Norbu, the autonomous regional chairman who engaged in the judicial, procuratorial, and public security work for many years, said: "Today, as we endeavor to establish a socialist market economy and accelerate the pace of reform and opening, new problems and circumstances will crop up, while certain activities endangering the national interests and splitting the motherland will be unavoidable. The struggle between splittism and anti-splittism will be a protracted one."

Deputy Chen Kuiyuan, who is the secretary of the regional party committee, said: "How to intensify construction of the legal system, to consolidate and develop political stability and unity, and to improve the professional competence and cultural standard of law enforcing cadres for escorting Tibet's economic construction are the important tasks confronting the judicial, procuratorial, and public security cadres under the new situation."

Eighth CPPCC National Committee

Li Ruihuan Chairs 24 Mar Session of Presidium

OW2503051093 Beijing XINHUA Domestic Service in Chinese 1300 GMT 24 Mar 93

[Text] Beijing, 24 Mar (XINHUA)—The Presidium of the First Session of the Eighth National Committee of the Chinese People's Political Consultative Conference [CPPCC] held its third meeting at the CPPCC auditorium this afternoon.

Li Ruihuan, executive chairman of the Presidium, presided over the meeting.

Ye Xuanping, executive chairman of the Presidium, briefed the meeting on a namelist of candidates for the chairman, vice-chairmen, secretary-general, and members of the Standing Committee of the CPPCC Eighth

National Committee. Ye Xuanping said: Various sub-committees have seriously discussed the draft namelist approved by the second meeting of the Presidium, and they are generally in favor of the namelist and believe that the namelist, which has been prepared after deliberations over a long period of time and through consultations with various circles, more comprehensively reflects the needs of a patriotic united front during the new period. At the same time, various committee members have expressed their views and suggestions. Their views will greatly benefit the CPPCC in the future in that it can better fulfill its function of carrying out political consultations and democratic supervision; they will be studied and dealt with in accordance with the practical situation when the current session is over.

The meeting approved the list of candidates for the chairman, vice-chairmen, secretary-general, and members of the Standing Committee of the CPPCC National Committee, and the namelist will be presented to the full session for election.

The meeting also approved a list of scrutineers and general scrutineers. In accordance with rules of election, the 34 constituent CPPCC units have recommended 34 scrutineers and two general scrutineers—Wu Lianyun and Gao Ruzeng.

The meeting also passed a draft political resolution of the First Session of the CPPCC Eighth National Committee, a draft resolution on the tenure of CPPCC committees at the county level, and a draft report submitted by the motion committee of the First Session of the CPPCC Eighth National Committee. These draft resolutions and draft report will be submitted to the full sessions for deliberation and approval.

Executive chairmen of the Presidium who attended the meeting included Wu Xueqian, Yang Rudai, Wang Zhao-guo, Ngapoi Ngawang Jigme, Seypidin Aze, Hong Xuezhai, Deng Zhaoxiang, Zhao Puchu, Qian Weichang, Hu Sheng, Qian Zhengying, Su Buqing, Ding Guangxun, Dong Yinchu, Sun Fuling, Tse-kai Ann, Henry Ying Tung Fok, and Ma Man Kei.

Publications With Hong Kong, Taiwan Planned

HK2403153593 Hong Kong ZHONGGUO TONGXUN SHE in English 1304 GMT 24 Mar 93

[Text] Beijing, 24 March (ZHONGGUO TONGXUN SHE)—Member of the Chinese People's Political Consultative Conference and Deputy Director of the State Press and Publications Administration, Mr. Liu Gao, said that support would be given for a plan to publish material in cooperation with enterprises in Hong Kong, Macao and Taiwan. Ways how to implement this are now being studied, he said. [sentence as received]

Mr. Liu said that in recent years, great development has been achieved in publishing in the Mainland, drawing on overseas capital and technological cooperation. With the

further deepening of reform and opening as well as publication of copyright laws, such development will be further achieved.

Speeches at Session Cover Broad Topics

OW2503130993 Beijing XINHUA in English 1250 GMT 25 Mar 93

[Text] Beijing, March 25 (XINHUA)—Speeches made by members of the Eighth National Committee of the Chinese People's Political Consultative Conference (CPPCC) cover broad topics and have rich contents at the current CPPCC session.

So far, 39 members have delivered speeches to air their views and suggestions on economic development, science, education, and reunification of the motherland at its full meetings.

Speaking at the full meeting this afternoon, Sun Fuling, vice-chairman of the All-China Federation for Industry and Commerce, raised five suggestions on the government work: improving external environment for the private economic sector, formulating laws governing chamber of commerce, trade council and guilds, bringing into play the self-discipline function of mass organizations; maintaining the independent presence of the federation for industry and commerce and more support for the federation.

Wang Houde, vice-chairman of the All-China Federation of Trade Unions, called on governments at all levels to adopt necessary measures to solve difficulties workers face in their lives, accelerate reform of the social security system and establish a system surveying living standards of low-pay worker families.

Zhuang Yanlin, chairman of the All-China Federation of Returned Overseas Chinese, talked about strengthening links with overseas Chinese, supporting enterprises run by returned overseas Chinese or their relatives and boosting economic prosperity of home places of overseas Chinese.

Liu Yonghao, president of the Sichuan Hope feed group and the only representative of private enterprises to deliver a speech at the current CPPCC session, said China's private enterprises are promising. Referring to his own experience, he said development of private enterprises benefit from reform and opening to the outside world; private enterprises can make contributions to the society; and the establishment of a socialist market economy will facilitate greater development of the private sector.

Six other members of the CPPCC National Committee delivered speeches at today's meeting. Liao Canhui, on behalf of Taiwan Democratic Self-Government League and All-China Federation of Taiwan Compatriots, called on Taiwan authorities to establish direct links for postal, air and shipping service and trade as soon as possible.

Tsui Sze Man, a CPPCC member from Hong Kong, talked on common prosperity of the Chinese mainland and Hong Kong.

Guan Tao raised suggestions on protection of rights and interests of women. Wang Zhaohua put forward measures to deal with the challenge of an aging society. Tian Maijiu, representing the sports circle, the Communist Youth League of China and the All-China Youth Federation, announced support to Beijing city's bid for hosting the 2000 Olympics.

Today's meeting was presided over by Qian Zhengying, Ding Guangxun, Sun Fuling and Ann Tse-kai, executive chairmen of the presidium of the current CPPCC session.

Hong Kong Prosperity 'Closely Linked' to China

OW2503133093 Beijing XINHUA in English 1230
GMT 25 Mar 93

[Text] Beijing, March 25 (XINHUA)—The prosperity of Hong Kong is closely linked with the prosperity of the mainland, said a Hong Kong member of the Eighth National Committee of the Chinese People's Political Consultative Conference (CPPCC) here today.

Tsui Sze Man, managing director of the Mirror Post Cultural Enterprises Co. Ltd. in Hong Kong, made the remark at a full meeting of the CPPCC National Committee.

He expressed his hope that the mainland will speed up reform and door opening. [as received]

As the term of the Eighth CPPCC National Committee and Eighth National People's Congress (NPC) will go through 1997, the year when China resumes its sovereignty over Hong Kong, he said, the 107 members and deputies from Hong Kong will shoulder the "glorious task" of working for the stability and prosperity of Hong Kong and a smooth transfer of power there.

Economic prosperity and social stability on the mainland is conducive to peace and stability in Hong Kong, Taiwan and the world as a whole, he said.

China's political system and Chinese people's lifestyle are closely linked with Chinese history and culture and are chosen by the Chinese people. Foreign countries have no right to interfere, he said.

He described the decision of the Chinese Communist Party of establishing a socialist market economy as brave and full of promise.

An advisor to the State Council on Hong Kong affairs, Tsui denounced Hong Kong Governor Chris Patten of peddling his "constitutional package" in an attempt to split the Hong Kong people.

Colonialists always create troubles before withdrawing from their colonies, he said.

He expressed the hope that the Chinese government would listen to the opinions of Hong Kong compatriots and adopt measures to make Hong Kong people at ease at a time when Chris Patten creates obstacles to jeopardize Sino-British talks on the Hong Kong issue.

'Taiwan Native' Member Urges Direct Links

OW2503133793 Beijing XINHUA in English 1155
GMT 25 Mar 93

[Text] Beijing, March 25 (XINHUA)—A Taiwan native urged here today the Taiwan authorities to allow direct links for postal, air and shipping services and trade between the two sides of the Taiwan Straits.

The call was made by Liao Canhui on behalf of the Taiwan Democratic Self-Government League and All-China Federation of Taiwan Compatriots at a meeting of members of the Eighth National Committee of the Chinese People's Political Consultative Conference (CPPCC).

After reviewing development of relations between the two sides over the past year, Liao said, "We hope the tendency will further develop."

He expressed regret over the fact that direct links remain the wish of people on both sides of the Taiwan Straits due to obstacles created by the Taiwan authorities.

On political "localization" and "independence of Taiwan," Liao said, "political 'localization' is an inevitable outcome of political, economic and social developments in Taiwan island; it is different from 'independence of Taiwan' advocated by a tiny number of people."

He accused advocates of "independence of Taiwan" of having ulterior motives in directing political "localization" to "independence of Taiwan."

He said, "We always support the unification of the motherland, reject 'two Chinas', 'China, Taiwan' or 'one country, two governments' in any form, and oppose any attempts and actions aimed at creating 'independence of Taiwan'."

He warned that "independence of Taiwan" will bring disasters to people in Taiwan.

Liao said, "We think it inevitable for both sides of the Taiwan Straits to have talks with a view to ending the state of hostility and gradually realizing peaceful reunification."

He said his party is willing to create conditions for the peaceful reunification of the country.

The Taiwan Democratic Self-Government League and All-China Federation of Taiwan compatriots are willing to increase contacts with parties, organizations and people from all circles in Taiwan, he said.

Commercialization of Science, Technology Sought*OW2503133593 Beijing XINHUA in English 1252
GMT 25 Mar 93*

[Text] Beijing, March 25 (XINHUA)—Scientists and experts, who are attending the first session of the Eighth National Committee of the Chinese People's Political Consultative Conference (CPPCC) as committee members, urge speeding up commercialization of science and technology.

They made the appeal at a meeting of CPPCC National Committee members here this afternoon.

Professor Wan Xuan of Beijing University said most enterprises dare not risk investment in the commercialization of new technologies and suffer from a poor ability to absorb them.

China has more than 10 million scientists and technicians, who produce a great number of research results every year, he said.

Less than 20 percent of such results have been made use of for industrial production, he lamented.

Some experts proposed setting up task forces devoted to the commercialization of scientific and technological advances.

Other speakers expressed appreciation of the launching later this year of the "golden bridge project" by China Association for Science and Technology, which aims to speed up such commercialization and promote exchanges between China and the rest of the world in science and technology.

Political & Social**CPC Committee Office Director Appointed***OW2503123493 Beijing XINHUA in English 1219
GMT 25 Mar 93*

[Text] Beijing, March 25 (XINHUA)—Zeng Qinghong has been appointed director of the CPC Central Committee General Office and secretary of the work committee of the departments under the CPC Central Committee, according to a decision by the CPC Central Committee today.

Zeng Qinghong, born in 1939, is a native of Jian of Jiangxi Province. He used to be a deputy director of the CPC Central Committee General Office. He replaced Wen Jiabao, who will not concurrently hold the posts as the director of the CPC Central Committee General Office and secretary of the work committee of departments under the CPC Central Committee, according to the decision.

Meanwhile, Li Shuzheng (female) was appointed head of the CPC Central Committee International Liaison Department to replace Zhu Liang. Li used to be a deputy head of the department.

Military Training Canceled at Beijing University*HK2503060093 Hong Kong AFP in English 0458 GMT
25 March 93*

[Text] Beijing, March 25 (AFP)—The Chinese government has decided to cancel compulsory one-year military training at Beijing University, the hotbed of 1989 protests, university president Wu Shuqing said Thursday [25 March]. The university would also readmit student dissident Wang Dan, but only if he retook and passed required entrance examinations, Wu told reporters.

The State Education Commission has informed Beijing University and Fudan University in Shanghai that one-year military training for entering freshmen would be ended starting from the coming academic year, and be reduced to the one to two months required by many other colleges, Wu said. "Both parents and students hope to enter school and begin working earlier," Wu said of the decision.

China began experimenting with military training for college students in the mid-1980s, but expanded it after the 1989 student-led democracy movement. Only Beijing and Fudan universities were made to introduce a full year of bootcamp at army barracks. As a result, enrollment in the schools has plummeted.

The president said Wang Dan would not be discriminated against for his political beliefs if he went ahead with plans to return to Beijing University. "If he wants to resume his studies at Beijing University, he can take examinations in accordance with procedure. If he does well, then he can be admitted," Wu said. Wang, a former history major, was kicked out of school and sentenced to four years in jail for leading student protesters on Tiananmen square in 1989. He was paroled on February 17.

Population Growth Rate Slows Down*OW2403235093 Beijing XINHUA Domestic Service in
Chinese 0632 GMT 11 Mar 93*

[By reporter Yu Changhong (0600 7022 3163)]

[Text] Beijing, 11 Mar (XINHUA)—China's population growth rate is slowing down. The population grew by 13.48 million in 1992, 1.39 million less than the 1991 figure. With its net population growth diminishing by 1.42 million, China's newborns and net population growth in 1992 was the lowest figure in recent years.

The State Statistical Bureau today released principal population statistics of various provinces, autonomous regions, and municipalities. The statistics suggest that of 30 provinces, autonomous regions, and municipalities in the mainland, eight areas—including Beijing, Tianjin, Inner Mongolia, Liaoning, Heilongjiang, Zhejiang, Sichuan, and Tibet—basically maintained their 1991 birth levels, with a small rise in birthrate. Birthrates of the other 22 areas dropped in various degrees. Birthrates in Shangdong, Hunan, Anhui, Shanxi, Fujian, Ningxia,

Hebei, Guangxi, and Jiangxi declined by a larger margin—all above 1.5/1000 points. Provinces with more minority nationalities—such as Yunnan, Guizhou, Qinghai, and Xinjiang—also recorded the lowest birthrates in recent years.

Demographers emphatically noted: While the general birthrate was basically stable in the past few years, the birthrates of Beijing, Tianjin, Liaoning, Zhejiang, and other localities rose slightly in 1992. This could be seen as normal fluctuations after the family planning work was put on the right track. Moreover, this was also because some birth plans were put off from 1991—the “year of the sheep.”

In 1992, party and government leaders at all levels earnestly carried out the CPC Central Committee and the State Council's “Decision on Strengthening Family Planning Work and Strictly Controlling Population Growth,” further promoted the system of management by objective in connection with population and family planning, and further intensified population control. A large number of people have greatly enhanced their awareness of population and concept of family planning; the rate of birth control use rose markedly. Particularly when some long-term or permanent birth control measures, taken in recent years, began to play their role in 1992, births of the second or the following children were effectively controlled.

However, the survey and analysis show: Differences in birthrates still exist among various areas. There are still 15 provinces and autonomous regions whose birthrates are higher than the national average; eight of which have birthrates higher than 20/1000. This means that tangible results have been made in the family planning work for 1992, although the task to control China's population growth is still very arduous.

Communique on Growth Rate

WA2503232693 Beijing XINHUA Domestic Service in Chinese 0706 GMT 11 Mar 93

[“State Statistical Bureau communique on principal data concerning population of various provinces, autonomous regions and municipalities directly under the jurisdiction of the central authorities in 1992”]

[Text] Beijing, 11 Mar (XINHUA)—Principal data of population of various provinces, autonomous regions, and municipalities directly under the jurisdiction of the central authorities in 1992:

Region	Birth Rate (1/1,000)	Death Rate (1/1,000)	Natural Growth Rate (1/ 1,000)	Total Pop- ulation (times 10,000)
Whole Country	18.24	6.64	11.60	117,171
Beijing	9.22	6.11	3.11	1,102
Tianjin	12.50	6.00	6.50	920

Hebei	15.33	6.43	8.90	6,275
Shanxi	19.59	6.94	12.65	2,979
Inner Mongolia	17.07	6.73	10.34	2,207
Liaoning	12.57	6.11	6.46	4,016
Jilin	15.74	6.57	9.17	2,532
Heilongjiang	16.25	6.12	10.13	3,608
Shanghai	7.28	6.74	0.54	1,345
Jiangsu	15.71	6.76	8.95	6,911
Zhejiang	14.72	6.57	8.15	4,236
Anhui	18.76	6.14	12.62	5,834
Fujian	18.18	6.02	12.16	3,116
Jiangxi	19.53	7.07	12.46	3,913
Shandong	11.43	6.88	4.55	8,610
Henan	18.13	6.99	11.14	8,862
Hubei	19.05	6.87	12.17	5,580
Hunan	16.70	7.30	9.40	6,267
Guang- dong	19.31	6.17	13.14	6,525
Guangxi	20.19	7.28	12.91	4,380
Hainan	21.31	6.07	15.24	686
Sichuan	16.27	7.03	9.24	10,998
Guizhou	22.40	8.52	13.88	3,361
Yunnan	21.00	8.00	13.00	3,832
Tibet	23.63	8.09	15.54	228
Shaanxi	18.85	6.57	12.28	3,405
Gansu	19.37	6.64	12.73	2,314
Qinghai	22.54	8.14	14.40	461
Ningxia	20.11	5.36	14.75	487
Xinjiang	22.80	7.84	14.96	1,581

Note: 1. Sampling and investigation errors have been corrected in the national data; provincial data has not been corrected.

2. The national figures are the total of 30 provinces, autonomous regions, municipalities directly under the jurisdiction of the central authorities on the mainland and active service members of the People's Liberation Army [PLA]. Chinese compatriots in Taiwan Province and Hong Kong and Macao regions are not included in the national figures. The provincial breakdown figures do not include active service members of the PLA.

Extensive Arsenic Poisoning Found in Guizhou

HK2503121093 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0955 GMT 25 Mar 93

[Text] Guiyang, 25 Mar (ZHONGGUO TONGXUN SHE)—Arsenic poisoning has been found in a vast area in southwestern Guizhou Province.

The poisoning covers the counties (or cities) of Xingren, Xingyi, Zhijin, and Kaiyang, and the affected number in the thousands. Among 2,000 examinees from Jiaole Township, Xingren County, 1,500 were found to be affected and 42 have died so far. Victims have pigmentation on their skin, their torsos covered in black spots, faces covered in blotches, eyes light sensitive and corneas clouded, and palms and soles cracked like pineapples. Some patients have had amputations for this reason, and some have been found to suffer from cirrhosis of the liver and ascites. A six-year-old girl in that region has toxic blotches on the lower part of her body and her urine contains hundreds of times more arsenic than the normal discharge of the toxin.

It is learned that arsenic poisoning is a result of coal pollution. Guizhou is China's only province south of the Chang Jiang that abounds in coal. Some of the coal seams in its southwestern part have a relatively high content of arsenic. One kilogram of coal sampled from Anle Township's minicoal mine contains as much as 300 mg of arsenic. Local people have been using open coal stoves for a long time and, as a habit, use coal for heating in place of charcoal. Therefore, coal dust often contaminates their skin, food, and drinking water. When the contamination reaches a certain point, it causes poisoning and makes people ill.

The governments at various levels in Guizhou Province are taking active measures to cure the victims of their conditions.

Economic & Agricultural

China Announces New Foreign Aid Policy

HK2403102793 Hong Kong CHING CHI TAO PAO in Chinese No 11, 22 Mar 93 p 37

[From "China Economic News" column: "China's New Principle for Foreign Aid Work"]

[Text] Li Lanqing, minister of foreign economic relations and trade, recently announced China's new foreign aid policy. He said: In the future, China's foreign aid will mainly be concentrated in productive projects needed by the recipient developing countries and supported by their local resources so that the economic aid and equipment provided by China can be properly combined with the development of local production. In addition, long-term technical and management cooperation will be carried out in order to ensure the effective operation of the projects over a long period so that they will make contributions to the development of national industry in the recipient countries.

Li Lanqing said: Such a practice has the following advantages. First, the loans offered by China as economic aid can be taken as investment in the recipient side, and the Chinese enterprises concerned can thus increase their investment to form joint ventures so that the gross investment scale can be expanded. Second, as

the interests of both sides coincide over a long period, long-term technical and management cooperation can be carried out. Third, some products can also be exported to nearby third countries, and some products can even be bought by China if necessary.

Foreigners 'Inflate' Value of Imported Equipment

OW2503091793 Beijing XINHUA Domestic Service in Chinese 1118 GMT 11 Mar 93

[Text] Beijing, 11 Mar (XINHUA)—According to a report by SHICHANG BAO [MARKET NEWS] reporter Guan Jianwen [1351 1696 2429], findings by government commodity inspection departments in assessing the value of equipment imported by foreign investors since 1991 show that an overwhelming majority of them inflated the value of imported equipment. Between November 1991 and December 1992, the commodity inspection departments in Jiangsu, Tianjin, and Fujian inspected 155 batches of assets invested in by foreign businessmen; of these, 152 were founded to have been overpriced. The total value of the 155 batches of assets, as quoted by investors, was \$76.28 million; this compares with the \$54.254 million assessed by the commodity inspection departments. The inflated portion of \$22.026 million constitutes 28.8 percent of the total value of the assets. According to an official of the State Administration for the Inspection of Export and Import Commodities Assessment and Management Department, based on figures reported by various localities, the quoted prices of equipment bought by foreign firms are generally about 20 percent higher than their actual prices.

When investing in China, foreign businessmen put in more than 90 percent of their capital in the form of equipment. In 1992, equipment invested in by foreign firms was valued at as much as \$8 billion. If the prices of half of the equipment were inflated, our losses would amount to several hundred million dollars.

Overpriced equipment imported by foreign investors has done tremendous damage to China's economic construction. Officials suggest that the Finance Ministry, the Ministry of Foreign Economic Relations and Trade, and the State Administration for the Inspection of Export and Import Commodities issue a joint statement, stipulating that contracts and agreements on establishing foreign-funded enterprises must clearly state the price of the equipment as evaluated by the local commodity inspection department before approval is granted to the establishment of enterprises; and that accounting offices verify assets according to price assessment certificates issued by commodity inspection departments. With such stipulations, it is possible to control excess prices quoted by foreign investors on their equipment and to protect the rights and interests of all investing parties.

Article on Shareholding System Experiments

HK2503024693 Beijing JINGJI GUANLI in Chinese
No 11, 5 Nov 92 pp 14-19

[Article by Zhong Pengrong (6945 2590 2837), edited by Lin Daojun (2651 6670 0689): "Several Issues on Current Shareholding System Experiments"]

[Text] I. Increase Supply, Inhibit Demand, and Alleviate Contradiction Between Supply and Demand

The macroeconomic reasons for Shenzhen's recent stock disturbance lie in excessive demand, serious shortage of supply, and strained relations between supply and demand.

Just as a commodity's price should be based on its value, the basis of a share's price (also known as the theoretical price) reflects the relationship between the dividend and the interest rate. In other words, the share price is affected by changes in the dividend and interest rates. Under normal circumstances, stock market prices fluctuate around their theoretical prices but such fluctuations do not go beyond a certain extent, just as commodity prices fluctuate around their values without moving too far away from them. At present, the price/earning ratio of some of China's shares have risen by scores, or even several hundreds, of times. This is an extremely abnormal situation. Under normal circumstances, the economic performance of listed companies may grow by several times in one year but it is impossible for it to grow by scores, or by hundreds, of times.

The major reason the prices of China's original shares are far away from theoretical prices and stay high for a long time is that demand is far greater than supply. In the demand for shares, because the whole society is not highly money conscious, investors lack awareness of the risks and often act blindly. Moreover, practice shows that people buying shares all make big money and very few lose money. Therefore, there exists a cycle of "more people buying—greater demand—prices up—higher profits—still more people buying—still greater demand—share prices further up..." yet supply grows very slowly. There are only 18 listed companies in Shenzhen, the total face value of listed shares is 2.2 billion yuan, and market prices total 40-50 billion yuan. Vigorous demand growth and limited shares supply result in much higher market prices than theoretical prices. So long as a person can purchase shares he will make big money.

To do away with the phenomenon that original share market prices are far removed from theoretical prices, it is necessary to proceed from two angles: Increase supply and inhibit demand.

There are two ways of increasing supply: First, allow more enterprises to join the ranks of those experimenting in the shareholding system as soon as possible. At present, the state can evaluate in an organized way the assets of hundreds, and even thousands, of large and

medium enterprises with good economic performance and make other preparations for listing while, at the same time, pushing a group of enterprises out into the market. Second, allow the state-owned and corporate shares of enterprises which have been listed enter circulation and increase the overall scale of listed shares.

The way to inhibit demand is to change from the situation under which prices of original shares are decided by the government (or banks) to one whereby buyers compete for prices. The reason people are now desperately buying original shares is that there is a huge difference between the selling prices and market prices of original shares. For example, the issue price of a 1-yuan face value share in Shenzhen Development Bank in 1990 was 3.56 yuan, its market price reached a high of 78 yuan after being listed and it even reached 120 yuan on the black market. This is, in fact, exercising control over the stock market by the means of the planned economy and the two-tier system of planned prices and market prices is also used for such commodities as shares. If we also release the issue price of the original shares, and introduce the method of buyers competing for prices, then the issue price and the market price will be evened up basically. As with buying shares on the secondary market, buying original shares will not make staggering profits, only making scanty profits or maybe even losing money, because the selling price may be lower than the buying price. So, only those who have a certain knowledge of the economy and shares can have greater chances of making money. However, for ordinary people, the possibility of losing money is greater than of making money. Just as on the secondary market now, everybody can buy but not everybody wants to buy.

In overseas markets, so-called buyers competing for prices means, in the first place, securities businesses competing for prices against issuing companies; then shares are sold by securities businesses to investors (individuals, funds, corporations). In China, securities businesses are state banks and they are not even commodity operators assuming sole responsibility for their profits and losses. If they compete for prices, the case could be: Individuals win and the state loses. Of course, the future target mode is to transform securities businesses into commodity operators enjoying decision-making power in operations and assuming sole responsibility for their own profits and losses, letting them buy shares by competing for prices and then reselling them to investors. Right now, as a transition, we can also introduce the method of investors buying directly by competing for prices. This is an entirely feasible operation. We can borrow the method whereby investors buy by competing for prices on the secondary market.

II. Who Should Receive the Difference Between Face Value of a Share and Its Market Price

There are two differences between the face value of a share and its market price: First, the difference between the face value and issue price. As with the above-mentioned Shenzhen Development Bank shares issued

in 1990, the face value was 1 yuan, issue price 3.56 yuan, a difference of 2.56 yuan per share; second, the difference between issue price and market price. For instance, the share price reached a high of 78 yuan after listing and it is now over 40 yuan per share, the difference between market price and issue price being over 70 yuan and over 30 yuan respectively. At present, the difference between issue price and face value is being gained completely by listed companies and the difference between market price and issue price goes to individuals. If shares are issued by competing for prices, then the issue price will be closer to the market price and the difference between issue price and market price will be completely converted into the difference between face value and issue price. To whom should this difference go?

It depends on how the difference comes about. By and large there are two reasons for differences to take shape: One concerns increments in enterprise assets and the other is the contradiction between supply and demand. There are three reasons for increments in enterprise assets: 1) when experimenting in the shareholding system, some enterprises underestimated their original assets and others only calculated the book value of properties, not including the current value of properties according to the extent of price rise; 2) enterprises which have been chosen to experiment in the shareholding system are now those which have quite good economic performances and the share price rises also include the factor of objective appraisal of the enterprises' economic performance; 3) after state enterprises practised the shareholding system, as a result of transformation of the operational mechanism, enterprise operators and workers and staff became highly enthusiastic, which helped further improve enterprise economic performance. Under the circumstances that shares supply and demand are more or less balanced, if the share price of an enterprise goes up, for example, a 1-yuan face value share is sold at 3 yuan, this is an objective assessment of the enterprise's actual assets. That is to say, the value of each share of the enterprise should be 3 yuan, and not 1 yuan. There is quite a big difference between the market price and face value of listed shares in China. Apart from the reason of the price rise of assets of listed companies, it is mainly caused by the contradiction between supply and demand. Such a big contradiction between supply and demand is the outcome of macroeconomic decision-making. The price difference and gains thus brought about should not go to individual share buyers, nor should they go to the companies that issue the shares. They should go to the finances of the central authorities.

Therefore, the difference between the face value and market price of shares can be divided into two parts: One is the price rise of enterprise assets, which should go to the enterprise; the other is the price rise caused by the contradiction between supply and demand, which should go to the finances of the central authorities. The proportion between the two can be decided by the state's

tax department and the state-owned properties management department based on the overall situation of listed enterprises, for instance, to be fixed at a ratio of 70:30 or 60:40, etc.

III. Issuing "Withdrawal Shares" Can Serve the Dual Purpose of Reducing Money Inventory and Transforming Enterprise Operational Mechanisms

Issuing "withdrawal shares" means converting a part of the present state-owned assets (assets of enterprises with better performance) into shares and selling them to individuals, enterprises, and social groups. The money obtained (including deposits) will not be used for investments or other purchases but turned over to the finances of the central authorities and the central bank for storage. Thus, with so many shares issued, the amount of money in circulation will be reduced correspondingly.

By converting state-owned assets into shares for sales, state enterprise will then be transformed into enterprise within the shareholding system. The enterprise's owners include the state, other enterprises (purchased by other enterprises using retained after-tax profits), social bodies, and also the broad masses of urban and rural residents. The enterprises' internal structure and method of management can only completely follow the principles of the shareholding system. Only by so doing can the enterprise operational mechanism be fundamentally transformed and enterprises fundamentally invigorated.

Selling "withdrawal shares" can also increase on a large scale the supply of shares, without enlarging the investment scale, and can satisfy the huge demand of the masses of the people for shares, balance the relationship between supply and demand, mitigate the contradiction between supply and demand, and lower the share prices to a rational level.

To convert part of the state-owned assets into shares and sell them to individuals is not to turn public properties into private properties. In fact, in China's state-owned assets, more than 1 trillion yuan has been converted from personal deposits. This part of the assets is state-owned in name but personal assets in reality. To sell a part of the nominal state-owned assets to individuals by selling shares is none other than to give this type of assets its original features. So far as individuals are concerned, this is none other than changing the form of existence of personal assets, i.e., none other than changing their bank books into shares. They do not share any assets from the state for buying and selling state-owned assets. Moreover, withdrawal shares are issued not only to individuals but also to enterprises, public undertakings, and various kinds of social groups.

IV. Will Issuing Shares Lead to Inflation?

Whether or not issuing shares will lead to inflation is a matter of general concern and also a major realistic issue. To clarify this issue, it is necessary to make a detailed analysis of the relationship between issuing shares and money circulation.

There are five main aspects of the impact of issuing shares on money circulation:

First, to turn a part of the deposits and cash on hand into shares can turn a part of funds which may at any time be "one daughter, two marriages" into long-term and stable construction funds. After deposits and cash, as the source of funds for banks, are loaned to enterprises for the purchase of essential production factors, the owners of funds may draw money in a centralized way for purchases before the bank recovers the loans. This is known to people as "one daughter, two marriages." However, shares cannot be refunded once they are purchased and buying and selling of shares are only transfers of shares and money (including deposits) between different individuals and organizations, and will not increase the total amount of money in circulation. Therefore, the more the funds exist in the form of shares, the more the long-term and stable funds are there in the total funds and the smaller the pressure from the money inventory on inflation.

Second, issuing withdrawal shares may play the role of withdrawing money. Here, we should uphold two principles: Enterprises and public undertakings can only use funds which they possess themselves, and not bank loans, to buy shares; the money (including deposits) income obtained by selling shares cannot be used for re-investment, neither can it be used as financial income for other areas of reexpenditure, and must be turned over to the central bank for storage.

Third, to issue shares and allow some of these shares to be listed for business may play the role of separating the flow of money on the commodity market. Formerly, all the money was used as a media for commodity exchange and now, when we have shares transactions, a part of the money will flow from the commodity market to the stock market, serving as a media for stock exchanges. Under the premise that the total amount of money in circulation is fixed, if the amount of money flow on the commodity market is reduced, then commodity prices will go down correspondingly.

Fourth, issuing a number of shares will neither increase nor decrease the total amount of money in circulation. It will only change the demand structure, that is, it only turns consumer demand into investment demand. For example, one resident has several thousand yuan in deposits coming due. These deposits can be used to buy electrical appliances. However, they can also be used, for the time being, not for buying electrical appliances but for buying shares. If there are no share issues, this money will be used to buy consumer goods. The issuing of this number of shares plays a neutral role in money circulation.

Fifth, to issue shares to gather funds will speed up the rate of money circulation and increase the total amount of money in circulation. The results of using share issues as a means to gathering funds would be the same as

increasing loans for enlarging investment. If an enterprise is allowed to issue shares with a face value of 1 million yuan, this equals a loan of 1 million yuan granted to the enterprise by a specialized bank. It plays exactly the same role in speeding up the rate of money circulation and increasing total social demand. Under the circumstances that the scale of indirect merging of funds by specialized banks has not contracted correspondingly, excessive issuing of such fund-gathering shares will lead to inflation.

In view of the five above-mentioned points, to avoid experiments in the shareholding system leading to inflation, we should uphold the following two principles: First, issue more withdrawal shares and less fund-gathering shares; second, when fund-gathering shares are issued, the scale of indirect merging of funds by specialized banks should be contracted correspondingly, to guarantee that the total money amount resulting from issuing shares and granting loans will not cause inflation.

V. Cities in Old Industrial Bases and Basic Industries Should Be Given Priority Carrying Out Shareholding System Experiments

In the eighties, China's regional preferential measures found expression mainly in the difference in the proportion of financial income and foreign exchange delivered to the higher authority. This kind of difference led to imbalances in economic growth between different areas. Since the nineties, if shareholding system experiments are focused on economically developed areas, it is likely that the imbalances in economic growth between areas will be further aggravated.

Differences in shareholding system experiments first of all result in differences in the flow of funds. If an enterprise is given priority in making shareholding system experiments, then that enterprise can enjoy priority in getting funds besides bank loans; the more shareholding system experiments are made in an area, the greater the amount of funds that area can get besides bank loans. Therefore, the direct consequence of differences between areas where shareholding system experiments are being carried out is the differences in how social funds are allocated. Second, the difference in shareholding system experiments will lead to differences in enterprises invigoration sooner or later. Once an enterprise makes shareholding system experiments, it will not only get a large amount of funds but will also bring about fundamental transformation in its operational mechanism. In short, the economy grows faster in areas where there are more enterprises carrying out shareholding system experiments.

At present, shareholding system experiments mainly concentrate on the sector of processing industries. Taking advantage of the opportunity to make shareholding system experiments, quite a number of places have set up new organizations and are carrying out

duplicate construction of processing industries. If things go on like this, it will lead to further distortion in the industrial structure.

Fundamentally speaking, it is necessary to create conditions actively and to change the shareholding system experiments as soon as possible from the experimental stage to the stage of universal popularization. Before that, we can take two priority measures:

First, priority should be given to making shareholding system experiments in old industrial bases. Many of China's old industrial bases, built in the fifties, made tremendous contributions to the state in subsequent decades. However, they have now grown old and it is necessary to inject large amounts of funds for transformation before they become invigorated. The state should inject these funds because the profits they made during the past decades have all been delivered to the state. However, as the state is in financial difficulties, it is impossible for it to take out such a large amount of funds. To give these areas priority in making shareholding system experiments may be a good way of helping them enjoy priority in getting funds and accelerate the transformation of old industrial bases. Moreover, transformation of old enterprises does not need investment in factory buildings, water, electricity, road construction, or other fields. Compared with building new factories, they yield the same output value and profits with less amounts of funds being needed and also with higher performance in the use of funds.

Second, priority should be given to energy, communications, and other "bottleneck" sectors in making shareholding system experiments. As the state is in financial difficulties, the problem of funds for energy, communications, and other "bottleneck" sectors has never been satisfactorily solved. In recent years, some "bottleneck" industries have not expanded and, compared with the swelling processing industries, they seem to be getting smaller and smaller, ever restricting the growth of the national economy. To give these sectors priority in making shareholding system experiments can organically integrate shareholding system experiments with industrial restructuring. Moreover, because these sectors suffer less impact from market changes, and are also less competitive, ordinary people will face smaller risks in buying shares in these sectors than those of ordinary processing industries. Thus, making shareholding system experiments in these sectors is conducive to social stability. Of course, prices in these industries are currently kept under strict control and this is unfavorable to attracting social funds. Under the circumstances that prices in these sectors still cannot be completely released, we can solve the problem through a two-tier system, that is, to release product prices and transportation fees of power stations, railway, and highways newly built by fund-gathering shares, and follow market operations.

VI. Positive Role of Promoting Shareholding System Experiments

1. It has effected the transformation of the investment structure and improved investment performances.

The basic feature of China's current investment structure is: The main body of investment decision-making is by government officials at various levels, the source of funds for investment is bank loans and sectoral appropriations, and the risk of investment is borne by the state. Large numbers of duplicate construction and waste in the sphere of China's investment in fixed assets are related to the current investment structure. If the shareholding system experiments are carried out, three changes can be effected in the investment sphere: First, the main body of investment is changed from government officials to enterprise operators and the broad masses of share buyers; second, the major source of funds for investment changes from bank loans to the merging of funds for investment; and third, the investment risk is changed from being borne by the state to being borne by enterprise and individual shareholders. Thus, the phenomenon of building projects blindly will be greatly reduced and the investment performance will be greatly improved.

2. It can build up effective restraint for enterprise operational activities.

State enterprise is now one owner—the state—restraining thousands of operators, is a small number of people restraining a large number of people, and the restraining activities carried out by a small number of people has no direct bearing on their own immediate interests. Therefore, the owner's restraint of the operators is rather loose and the problem of serious dereliction of duty on the part of the operators and serious losses brought to the enterprise cannot be thoroughly overcome. This is the main reason China's enterprises suffer great losses. In shareholding-system-experiment enterprises, it is thousand of owners restraining a small number of operators and the owners truly restrain the operators based on their concern about their own interests. In shareholding-system-experiment enterprises, the owners' restraint on the operators is expressed mainly in three aspects: First, as the highest organ of power in a joint-stock company, the shareholders general meeting examines and decides on major company business; second, as the permanent organ of the shareholders general meeting, the members of the board of directors are responsible for major decisionmaking, and accountable to the shareholders general meeting when it is not in session, and they also appoint and dismiss enterprise operators; and third, when an enterprise is badly operated and has a low performance, shareholders can sell the shares of that company, which will lead to a decline in the share price. A continual decline in share price will also build up a certain pressure on the operators. Precisely because such restraining mechanisms exist helps avoid errors in enterprise operational decisionmaking and the phenomenon of irresponsibility.

3. It is conducive to overcoming the contradiction between high interest and low profits.

Residents' idle funds currently enter enterprises by the deposit method—loans. Such a way gives residents interest first and profit afterward. Whether an enterprise makes a profit or not, or whether the profit is high or low, interest is all fixed beforehand. This leads to the contradiction between high interest and low profits. Issues share and allow funds owners to directly take part in the distribution of enterprise profits against shares. When there are more profits they get a large distribution, when there are less profits they get a small distribution, and when there are no profits they get no distribution. By so doing the problems between high interest and low profits, and between dead interest and active profits, can be solved.

4. It opens up a good channel for drawing foreign investments.

Compared with direct investment by foreign businesses, attracting foreign investment through shares is of advantage both to China and to foreign businessmen. Of advantage to China is that there is no need to repay the principal for funds, that large amounts of foreign investment can be attracted at high rate, and that there is no need to have ample water, electricity, labor forces as prerequisites for investment. Of advantage to foreign businessmen is that the legal procedure is simple and convenient, there is no need to deal with many departments, and the investment risk is smaller. Therefore, either Hong Kong, Macao, and Taiwan businessmen, or businessmen and monetary and investment organizations from the United States, UK, Singapore, and other countries are all highly enthusiastic about buying China's listed shares.

VII. Can Issuing of Shares Play the Role of Raising Funds?

So-called funds refers to the material goods used in production and construction, such as steel products, cement, machines and equipment, and the means of consumption which can be used for consumption by builders. Currency, deposits, and various kinds of negotiable securities are only tokens of funds and not funds themselves. Discussing whether issuing of shares can play the role of raising funds means discussing whether share issues can gather material goods.

For issuers, issuing shares can raise funds; when they have money, they can buy various kinds of essential production factors and construction material goods and can therefore increase the funds of the share-issuing organizations. However, such an increase of funds in one or two organizations, so far as the source of funds is concerned, produces two kinds of situation: First, issuing shares leads to an increase in total social funds, and to an increase in funds of the fund-raising companies; second, there is no increase in total social funds and the increase in the funds of the fundraising companies is realized

through a decrease in the funds of other enterprises. I will explain these two situations as follows:

The first situation. Only when part of the consumption funds is converted into accumulation funds will the issuance of shares increase total social funds. For example, one resident has several thousand yuan of idle funds or his deposit comes due. If there is no share issue, this sum of money will be used for buying videotape recorders, air conditioners, and other consumer goods; through a share issue, the use of this sum of money changes its direction from consumption to investment. Thus, issuing shares increases both the funds of the fundraising companies and total social funds. Of course, here I refer only to issuing shares inside China. Issuing shares overseas, so long as they are purchased by funds outside China, will increase the total social funds inside China.

The second situation. In China, either deposits or cash in the hands of the residents constitute the source of funds for banks. Deposits serve directly as the source of funds for specialized banks; cash serves as the source of funds for the central bank, which recredits loans to specialized banks, and, thus, it also constitutes the source of funds for specialized banks. According to the source of these two kinds of funds, specialized banks are also turning over, by granting loans to enterprises, temporarily idle material goods (the entity of funds) in the society to enterprises for use. Although there are idle funds in the hands of the residents, there are no funds laying idle for the whole society. Under such circumstances, the funds raised through issuing shares by a number of enterprises are a redistribution of funds possessed by other enterprises. There are two ways of distribution: First, residents draw money for purchasing shares and the source of funds of specialized banks reduces; to balance funds, specialized banks recall a part of loans from other enterprises and reduces their funds, then part of the funds of these enterprises is transferred to enterprises issuing shares. Or, residents use cash reserves for purchasing shares and the source of funds of the central bank reduces. To stabilize currency, the central bank reduces recrediting to specialized banks, which correspondingly contract their loans to enterprises. Likewise, this transfers funds from a number of enterprises to those issuing shares. Second, under the circumstance whereby residents buy shares and the source of funds for banks reduces, if the banks' scale of loans remains unchanged or even expands further, it will lead to price raises; when prices go up, the essential production factors which all enterprises can buy with equal amounts of funds reduce and the essential production factors reduced are precisely transferred to the share-issuing enterprises.

China's residents now have over 1,000 billion yuan in deposits and over 300 billion yuan in cash. This money is only a token part of social funds and the material goods corresponding to this token money have been transferred through bank loans to enterprises for their use. If all these are looked upon as idle funds, and made use of by issuing shares on a large scale, it will end up not in increased social funds but in price raises.

VIII. In Promoting Shareholding System Experiments, We Should Put Enterprise Invigoration in First Place and Not the Ratio Between State-Owned and Nonstate-Owned Shares

One major goal in promoting the shareholding system experiments is to change the present situation of excessive control of enterprises by the government. In shareholding system experiments enterprises, major operators are not appointed and dismissed by the higher authorities but by the enterprise's board of directors, enabling it to free itself from the direct control in personnel affairs of the department in charge. In the current shareholding system experiments, quite heavy emphasis is placed on the control of a larger percentage of shares by the state. As the state controls a larger percentage of shares, it sends government officials to act as chairmen of the board, thus legalizing even more the control of enterprises by the government. The result is that the direct control of enterprises by the government will not be weakened but will, on the contrary, be further strengthened.

Two measures can be taken to solve this problem.

First, state shares can take the form of priority shares. Based on the shares it holds, the state enjoys priority in getting income from enterprises but does not take part in enterprise management.

Second, to enjoy priority in getting products, the state can control a larger number of shares in some enterprises; with ordinary enterprises, it is not necessary for the state to control so many shares and there is no need for some enterprises to have any state shares, all the shares being made up of corporate shares and individual shares.

In short, specifically speaking, whether or not an enterprise retains state shares, and how big should the proportions be of state-owned and nonstate-owned shares, depends mainly on which way is more beneficial to invigorating the enterprise. We should not look upon this proportion as the primary factor.

IX. Reform of Shareholding System Experiments May Accelerate and We Should Act With Caution in Listing Shares

The stock market is the outcome of the shareholding system experiments but the former is not equal to the latter. Judged from history, the stock market appeared much earlier than joint-stock companies took shape.

Judged from the present situation abroad, listed companies occupy a small proportion of all joint-stock companies. For example, there are less than 2,000 listed companies in Japan, accounting for only one-thousandth of all joint-stock companies. There are about 240,000 joint-stock companies in Hong Kong, but only 300 or so companies have their shares listed.

The shareholding system experiment is, in the first place, a way to define property rights. The stock market is one aspect of the shareholding system experiment. To allow listing of shares is to provide convenience for shareholders to transfer their shares; and convenience in transferral of shares is conducive to shares issuing. That people earn price differences and seek exorbitant profits by buying and selling of shares are merely "sideline products" of the shareholding system experiment and not major features.

The fundamental purpose of China's shareholding system experiment is to solve the problem of unclear property rights relationship in state-owned enterprises, and clarify the property rights relationship through the shareholding system experiment, and then proceed to solve the problems of lacking a self-restraint mechanism, low performance, and increased losses within state-owned enterprises. Therefore, in making shareholding system experiments we should not put our energy and people's attention on the listing and speculation in stocks but on establishing the system of joint-stock companies and transforming enterprise operational mechanisms.

To help smooth the progress of shareholding system experiments we should quicken the pace of property rights system reform but we should act with caution in the listing of shares. This so-called acting with caution means that strict requirements should be laid down for listed companies. Judged from the situation abroad, requirements for listed companies are generally quite high. For example, of listed companies in Japan, clear stipulations are laid down not only for their financial affairs, accounts, number of shares listed, years of operation, achievements, company net assets, company profits, and other targets, but requirements are also laid down for the prospects for industries in which the enterprise is engaged. If they fail to live up to the stipulations and requirements, they cannot be listed. In China, there are now also strict requirements for listed companies. We should strictly carry out these stipulations in examining and approving listed companies in the future.

Sale of Land Use Right Discussed

*HK2403145793 Beijing RENMIN RIBAO in Chinese
17 Mar 93 p 3*

["Minister's Hotline" column by staff reporters Jiang Yaping (5592 0068 1627), and Zhu Jianhong (2612 0494 4767): "Answering Several Questions Concerning 'Purchase and Sale of Land'—Interview With Wang Xianjin, Director of the State Land Administration Bureau"]

[Text] The Editor and Comrade:

I remember that when "land sales" began, they were on a trial basis. Land areas in such places as Shenzhen and Shanghai were not large and their prices were also not low. I think it is good to sell some to an appropriate extent, as this can accumulate funds and is beneficial to the prosperity and development of some places.

However, some places have sold cultivated areas. Some have also sold city government office buildings, many of which have been sold to foreign businesses. I am a little puzzled and do not know how to view these phenomena. Would you please tell me what policies and regulations there are in China for the "purchase and sale of land"?

[Signed] Fu Yongchao, Beijing University of Science and Technology

[RENMIN RIBAO] The question of "land purchases and sales" is increasingly becoming a topic of discussion among people. Viewing the letter to the editor, people wish very much to know what policies and regulations there are in China in this regard. Please tell us something about it.

[Wang] First, I want to say that it is incorrect to say "land purchases and sales." China's basic land system is state and collective ownership, and land ownership must not be purchased or sold. The purchases and sales that people are talking about are in fact the sale and transfer of the right to use state-owned land, and there is a principled provision in the "Land Management Regulations." As for the transfer, leasing, and mortgaging of state-owned land, the State Council promulgated Order 55 in 1990, publishing the "Provisional Regulations Governing the Sale and Transfer of Urban State-Owned Land" and setting comparatively detailed regulations regarding how land use right should enter the market.

The main content of land use system reform is, under the principle of maintaining ownership unchanged, to change land use right from uncompensated use to compensated use and determine that the duration of use must not exceed 70 years. Land use right can circulate on the market. This is what we usually mean by transfer, leasing, mortgaging, and other market activities.

At present, some problems really exist in the sale of land use right. Some places have sold too much and too indiscriminately. The reasons for this are very complicated. Nevertheless, compensated land use reform is correct and we should unswervingly continue with it. Of China's land currently used for construction purposes, only 0.1 percent is really sold with compensation, while the remaining 99.9 percent is allocated for use without compensation according to the old system. Therefore, reform in this respect still presents a very heavy task.

[RENMIN RIBAO] Are there any special provisions for foreign businesses for the sale and transfer of the right to use state-owned land? Does this kind of provision imply that special care is given foreign businesses?

[Wang] The State Council has promulgated special regulations governing the sale of land for foreign businesses to facilitate the strengthening of management. In principle, domestic businesses and foreign businesses have equal status in procuring land use rights, and there is no difference between them. People now have this impression that special treatment is granted to foreign businesses for these reasons: First, since the beginning of the nineties, the number of foreign businesses China has attracted has increased comparatively quickly and these foreign businesses involve the question of the sale of land, whether in setting up factories, developing real estate, or developing large tracts of land. Second, some local governments, taking into consideration a number of factors, take special care of foreign businesses, and this is in keeping with China's preferential policy for foreign-invested enterprises.

Here, I want to stress again that what we sell to foreign businesses is the land use right. When it expires, foreign businesses should return the land, together with the structures on it, to China. Although the development of large tracts of land involves large areas, we possess administration and judicial administrative power over them. This is different from the permanent sale of land or the previous leasing out of tracts of land as a concession.

[RENMIN RIBAO] At present, many local government and party committee buildings have been "sold," some of which were "sold" to foreign businesses. Everybody is talking about this. How do you view the matter?

[Wang] As long as people understand that the sale of land is not permanent or still less the sale of ownership it is easy to approach the question. I think that generally speaking, this kind of behavior should be affirmed and supported. For historical reasons, the party committee and government office buildings of many places in China are located in the best city districts. Viewing this from the angle of land use, this is a kind of waste. The fact that governments sell their office buildings to businesses which then convert them into inns and offices is good for the country, the people, and the cities concerned. I learned that Qingdao city was the first to sell its government building, and since then similar reports have been appearing as if the "domino effect" is working a little. In fact, this move by Qingdao is fairly reasonable. They not only have built a new and modern building with the money from the sale, but have used the money and other funds to offer other social welfare services to the city's residents. Since the original site was converted into a commercial building, the city has become busier.

[RENMIN RIBAO] As for the talk regarding the question of land prices, people are worried that they are too low and that the state has made losses. Is this worry well-founded?

[Wang] The worry is well-founded. Land price management is very difficult. Some people say no two persons in the world look exactly the same. This is also true of land,

as no two pieces of land are priced exactly the same. Land prices are influenced by many factors, such as location, use, duration of use, the rate of construction volume, traffic facilities, investment environment, which includes the domestic political environment, and changes in the world situation. At present, the sale of land use right in China has gradually formed regional markets to a certain extent. Despite the fact that they are very immature, once they are there, they have their own laws.

Although management is very difficult, as long as the question is properly settled, the land price market can be in better order and state interests can have more safeguards.

At present, since all localities have a very strong incentive to develop their economies and attract foreign capital, it follows that people vie to keep land prices down. For the resolution of this problem, the role of traditional administrative measures is very limited. Judging from experiences outside China, it is better to work out a more scientific, stricter, and more authoritative land supply program so as to regulate and control the land price market. Second, it is necessary to change the current mode of land sale. At present, the majority of people use the person-to-person agreement mode. This mode has many unscientific and unstandardized factors and loopholes. If the mode of tendering, especially auction, is used more and more to really enable land sales to head toward the market, the problem can be simplified a little. Third, there should be remedial measures, such as charging land value-added fees. This will prevent the excessive loss of the differential rent increased by the government as a result of investment in the overall environment. Shenzhen has many comparatively good experiences in this respect.

[RENMIN RIBAO] Could you also tell us what new measures the state has adopted for land management and land market management in response to the current situation?

[Wang] The general idea is that it is necessary to both preserve resources and foster the market. If we do the job well, the two can promote each other. But we are in a dilemma sometimes. Therefore, we must not pay too much attention to one to the neglect of the other.

As for resources management, we must mainly standardize the order for land use. It is necessary to straighten out the relationship between developing the economy and preserving cultivated land, strictly cope with various sorts of illegal occupation of land, and strengthen land use in development areas. In approving land use, it is necessary to stick to the principle of "using a project to promote the development of land [yi xiang mu dai di 0110 7309 4158 1601 0966]. It is necessary to charge people for laying their cultivated land uncultivated. If no investment is made in a piece of land for more than two years, the right to use it will be recovered

according to law. As for strengthening assets management, it is first necessary to expand the sales scope of the right to use state-owned land, reduce the number of land allocations, and increase the number of land sales; second, strengthen the management of administrative allocation of land, screen the voluntary exchange market for land use right, and strictly forbid the hoarding of and illegal speculation in land; and third, vigorously proceed with the compensated use of land for township and town enterprises and the compensated use of rural residential bases.

Moreover, it is necessary to improve resource management and asset management. We should say that we already have seasoned ideas and policies, that is, manage the first-class market in accordance with the State Council's relevant regulations, and have land management departments at all levels represent their governments and be solely in charge of the sale of land use rights according to fixed scales, rather than allowing land sales through a variety of channels. Furthermore, we must lift restrictions on the second-class and third-class markets, hence embodying fair competition and the paramount importance of efficiency, so that land will be rationally used during circulation.

Article on Reforming Property Rights Relations

HK2403124793 Beijing JINGJI RIBAO in Chinese 12 Mar 93 p 7

[Article by Wang Jue (3769 3778): "Enterprises Must Straighten Out Property Rights Relations Before Marching Onto the Market"]

[Text] The current key to the establishment of a new market economy is still the question of how large and medium state-owned enterprises are to march to the market and become the main body of the market as early as possible. More than a year has gone by since State Council leaders unequivocally forwarded the necessity of pushing large and medium state-owned enterprises to the market. However, viewed from practice, the pace of large and medium enterprises' marching onto the market is far behind people's expectation. It is, after all, due to unclear rights and obligations and the ambiguous definition of property rights of state-owned assets.

The meaning of transforming the enterprise operating mechanism is, in reality, to enable enterprises to transform from the original administrative operating mechanism into the operating mechanism of the market. To be specific, the administrative operating mechanism precisely refers to administrative levels, administrative divisions, relations within the administrative hierarchy, administrative powers, administrative means, and so on, whereas the market mechanism refers to the mechanism of demand and supply, the mechanism of competition, the price mechanism, the mechanism of risk, and so on. Reform of the enterprise system must be set as the precondition for transforming from the former to the latter. An enterprise under the traditional system is an

appendage of government organs which, from an economic point of view, is merely a productive and welfare unit. Its characteristics are: No decision-making power, no initiative, inadequate vigor, and low benefits. However, modern enterprises are the main body of the market which are responsible for their own management decisions and profits and losses, which develop and accumulate on their own initiative, and which are brimming with vigor. To reform the traditional enterprise system, it is necessary to implement an enterprise legal-person property rights system to suit the needs of large-scale socialized production and of market economy. It is necessary to set up an organization with ownership and control over property, that is, an organization jointly controlling property while standing for investors' interests. The organization will make strategic decisions for enterprise activities and engage professional management personnel to administer the daily operation of an enterprise and to organize workers to undertake productive activities of the enterprise. In the enterprise organizational structure which is constituted in accordance with this form of property rights, representatives of owners, of managers, and of laborers are present in the enterprise, and the three levels condition and help each other and make joint efforts to strive for the development of the enterprise. The concrete form of this kind of enterprise system is precisely a joint-stock limited company. The joint-stock system is the fundamental choice to reform the old enterprise system. Only on the basis of such a modern enterprise system can the enterprise operating mechanism be truly transformed.

To establish a modern enterprise system, we cannot but touch the transformation of the organizational form of property rights, and these two things are closely linked. Our country's original state-owned enterprise system is based on the traditional organizational form and management system of property rights. The characteristics of this organizational form of property rights are: 1) A unitary main body of property rights, that is, the ownership of property, the power of holding property, the power of controlling property, the power of using property, and the power of distributing profits earned from property is wielded by a main body—the state or the government. Such a form of property rights is primitive and backward and runs counter to the demands of large-scale socialized production. 2) The concrete hold over property is divided by barriers between departments and areas. State property is divided up among various government departments and administrative organs at various levels, while these organizations are closed to each other, thus making transfer of property rights impossible. Such a form of holding property is, in fact, a natural economy in nature, and it is completely different from the market economy which demands circulation and opening. 3) The operating mechanism of property is monopolized administratively. That is, it acts in accordance with administrative levels, administrative divisions, relations within the administrative hierarchy, administrative powers, and administrative means. In the final analysis, to put it in a nutshell, it operates in

accordance with the administrative mechanism. Hence, it is bound to constantly deviate from the objective law of economic development, thus making enterprises fall into the abyss of high consumption and low efficiency and fail to extricate themselves from it. Due to such an organizational form of property rights, powers and obligations between the government and enterprises, between various government departments, and between different government functions are mixed up and the relations are confused, and all these are shown by the absence of separation of government administration from that of management. As enterprises are the appendages of government departments, enterprise activities are all sponsored by the government, while enterprises themselves, which rely on financial subsidies, have neither driving force nor vigor, and benefits are even out of the question.

It is thus clear that to reform the traditional enterprise system, it is necessary to reform the pattern of materializing state-owned property, that is, the organization and administrative system of property rights. How to reform it? As proved by practice, merely "delegating power and allowing more retained profits" can no longer fulfill this kind of reform, and it is necessary to change our train of thought and to blaze a new trail. For this, I think that it is feasible to take the form of unified administration, diversified management, and centralized utilization. The concrete steps are: 1) Unified administration. This is precisely to unify the administration of property of various central ministries and of local governments at various levels under a special property administrative organization. This organization can be either the Administration of State Property or the State Property Administration Committee, a standing organ under the People's Congress. It will no longer be a government administrative department but an economic organization with civil responsibilities and obligations. The three advantages of so doing are as follows: a) It preserves the nature of publicly owned state property so that society can still have the status of ultimate owner of the property. b) It clears up the situation of which different departments and areas hold property. c) It helps attach prices to property administration and march it to the market, thus making the system of property administration suit the needs of market economic development. 2) Diversified management. The organization responsible for state property administration only administers property in the form of value and supervises the work of preserving and increasing the value of property. To this end, decrees, policies, and regulations will be formulated to ensure continuous improvement of the operational benefits of property. However, it cannot directly use and manage property. Hence, it is necessary to set up some intermediary organizations between administrative organs and enterprises to manage state property to facilitate diversification of the main body of property, that is, through these intermediary organizations, to

realize separation and a reasonable combination of ownership, hold, and control over property. These intermediary organizations can be various investment companies, financial institutions, funds organizations, mother corporations of enterprise groups, and so on. State property administrative organs can, through such patterns as trusts, loans, and contracting, entrust a certain amount of state property to intermediary organizations to let the latter use it with repayment stipulated. These intermediary organizations, while managing state property, can have the right to hold and to control property in the form of value, and then invest property controlled by them in enterprises or projects which not only accord with the requirements of state industrial policies but also have higher benefits, while they themselves will become investors holding legal-person stocks. This not only will spread the risk of state property investment, but more importantly will transform the original property rights pattern with a unitary main body into a pattern of dual main bodies, thus separating pure ownership from the right to hold (and to control) property to gear to the requirements of the development of socialized market economy and to promote the rapid development of productive forces. 3) Centralized utilization. After a great many property operators have invested property in an enterprise, that property can no longer be directly controlled and used by a particular investor, but must be controlled and used in a centralized manner by the board of directors, which is jointly elected by all investors. In this way, a new property pattern, namely, legal-person property rights, will take shape. Legal-person property rights are also called legal-person ownership, which refers to the socialization of the pattern of holding property, that is, property will be under the joint control of the board of directors, which is jointly elected by investors. In this sense, enterprise property formed by many investors has, in reality, become socialized property, and this is precisely why joint-stock enterprises are in contrast with and superior to solely invested enterprises. The system of legal-person property rights formed by this kind of centralized utilization, that is, socialization of the pattern of holding property, not only can reflect the nature of public ownership but also suits the requirements of socialized development of productive forces, thus expediting the development of productive forces and bringing the superiority of socialism into full play.

It is thus clear that as long as we separate and reorganize the property rights of state property, we can remove the defects of the traditional pattern of the state ownership system and facilitate modernization of the property rights organizational structure of state property to lay a solid foundation for joint-stock reform of the enterprise system.

As for the question of whether or not the reform of the state-owned system of property rights organization and of the administrative system can proceed smoothly, the key again lies in the restructuring of government administration, and the substance is the transformation of

government functions. The defects of the state-owned system of property rights organization and the confused relations of property rights are, fundamentally speaking, due to confusion between government powers in social administration and property ownership. They are also caused by the substitution of administrative functions for ownership. Hence, to reform the property rights organization under state ownership and to straighten out relations of property rights, it is necessary, in the first place, to urge the government to strictly separate the functions of property ownership from those of social administration, and to transfer the functions of property ownership to special organizations, such as the State Property Administration Committee, to implement them. The government only retains the two functions of social administration and macroeconomic regulation. In this way, organs and personnel originally carrying out the functions of ownership in an independent way can shift to the field of property administration. Second, the government should return the functions of microeconomic administration to enterprises and transfer all its administrative functions to macroeconomic regulation, while organs administering microeconomic activities in the past can be abolished or amalgamated, and personnel can shift to enterprises so that everyone can bring his talent into full play. If functional transformation in the two above-mentioned aspects can be fulfilled, it is possible to streamline government organs and personnel, the administrative system of "small government" and "large service" can take shape, government work efficiency will be greatly enhanced, and the government will naturally improve its prestige accordingly.

To sum up the above analyses, we can arrive at this conclusion: The transformation of the large and medium state-owned enterprise operating mechanism depends on the enterprise system reform, while the enterprise system reform is closely related to straightening out property rights relations. However, to solve the two above-mentioned problems, the key lies in the government restructuring and the transformation of government functions. In short, even if we spend a lot more time, it is difficult to achieve substantial results if we speak of the transformation of the operating mechanism per se and in an isolated manner. We must look at all the problems related to the transformation of the operating mechanism in a comprehensive way, and solve them with the guidance of the leadership and step by step in accordance with the objective reality of how the matter develops. Only in this way can the expected results be achieved. We wish concerned departments and leaders to resolve to make arduous efforts to deal with this central issue of deepening reform and to make substantial progress.

Specialized Agencies Join Securities Business

OW2403145993 Beijing XINHUA in English 1412
GMT 24 Mar 93

[Text] Beijing, March 24 (XINHUA)—Today 35 law offices and 21 property evaluation institutions were officially given approval to take part in the country's fledgling securities trade.

The approval was jointly given by the Ministry of Justice, the State Administration of State Property, and the China Securities Supervisory and Administration Committee.

Previously, the committee and the Ministry of Finance had jointly given approval to a number of accountancy agencies to engage in the business.

The approval given to the three kinds of agencies to enter the securities sector is part of the efforts made by the government to standardize the administration of this sector and protect the interests of investors.

The agencies will help enterprises that want to issue their shares to the public. Enterprises also have the right to select an agency to assist them with securities trading. No government departments are allowed to interfere in such selection.

Beijing Steel Company To Become Multinational

OW2103125593 Beijing XINHUA in English 1226
GMT 21 Mar 93

[Text] Beijing, March 21 (XINHUA)—Beijing's Capital Iron and Steel Company (Shougang) is venturing abroad in a bid to become a transnational company.

Shougang purchased 51 percent of Hong Kong's Tung Wing Steel (Group) Ltd for 20 million U.S. dollars last October.

Soon after that, it purchased the Hierro Iron Mine in Peru, which has an annual iron ore production capacity of 10 million tons, and California Steel Industries Inc. in the United States.

In February this year Shougang used 164 million Hong Kong dollars to purchase 25.12 percent of the shares of the East Century Group of Hong Kong.

Pan Huayuan, vice-president of Shougang, said the purchasing of overseas companies and shares is only part of Shougang's advance to becoming a first-rate transnational company.

Established in 1919, Shougang's operations were limited to the Beijing area until the late 1970s, when, with the implementation of the reform and opening policies, the company began to expand vigorously.

Now, Shougang has 12 big subcompanies, 126 factories, 41 co-operative enterprises and 43 Sino-foreign joint ventures. Shougang's enterprises cover 16 fields, including steel products, machinery, electronics, mining, building, shipping and finance.

To lay a solid foundation for becoming a transnational company, Shougang invested 310 million U.S. dollars to introduce 600 items of foreign technology, new equipment and second-hand equipment for technical upgrading in the 1980s.

Statistics show that 70 percent of Shougang's major products are up to the international standards. Its products are exported to more than 40 countries and regions. The exported products have been expanded from simply steel items to more than 90 kinds, including chemicals, machinery, electronics, ships, complete sets of metallurgical equipment and others.

In the mid-1980s Shougang started to invest abroad and set up joint ventures.

Since 1985 Shougang has established 22 Sino-foreign joint ventures on China's Mainland with investors from Denmark, Japan, Hong Kong and some other countries and regions. Their business scope covers steel products, machinery, building materials, electronic products, textiles, oceangoing transportation, tourism and others.

In addition, Shougang used 3.1 million U.S. dollars to purchase 70 percent of the Mesta Engineering Design Company in the United States in 1986. So far, the company has established 18 overseas joint ventures—in Belgium, Indonesia, Malaysia, the Philippines and some other countries. Shougang's overseas ventures cover steel products, machinery and electronics.

In the past few years Shougang's transnational operations have witnessed rapid growth.

In 1991 it exported its first complete set of equipment for a steel bar rolling mill to Indonesia, the first set exported by China. It also completed the automation software design for seven revolving furnaces for the U.S.X. Corporation, the biggest iron and steel company in the United States.

In 1992 Shougang's export value reached 350 million U.S. dollars, ranking first among the nation's industrial enterprises.

Shougang has established an international trading and engineering corporation specializing in foreign trade and co-operation. The corporation is preparing to set up branches in New York, London, Moscow and some other big cities abroad.

Zhou Beifang, president of the corporation, said that apart from expanding the export of products, his corporation will engage in the trading of second-hand equipment and contracting more overseas engineering projects. In addition, it will promote its overseas business by purchasing shares in more overseas ventures and annexing some overseas ventures this year.

Shougang will strive to reach a target of 510 million U.S. dollars in export value this year, 45.7 percent higher than last year.

Shougang also aims to become a first-rate transnational company with eight billion U.S. dollars of sales value. Of that amount, the sales value of Shougang's overseas ventures and exports will account for two billion U.S. dollars, the corporation president said.

Qiao Shi Visits Foreign Trade Goods Exhibition

*OW2403171893 Beijing XINHUA in English 1551
GMT 24 Mar 93*

[Text] Beijing, March 24 (XINHUA)—Qiao Shi, Zhu Rongji, Liu Huaqing, Hu Jintao and several other high-ranking state and party officials visited an exhibition featuring the quality of import and export commodities which opened here yesterday.

At the show, which is being held at the China International Trade Center, are leading commodities as well as

a number of fake or poor-quality goods, both manufactured by domestic factories.

This is the first exhibition of its kind ever held in China, according to officials concerned.

The week-long show is jointly sponsored by the China International Trade Center, the China Association for Import and Export Commodities Inspection and the China Association for the Management of Foreign Economic and Trade Enterprises.

Central-South Region

Hainan Provincial Government Work Report

HK1803120093 Haikou HAINAN RIBAO in Chinese
22 Feb 93 pp 1-3

[Hainan Province Government Work Report delivered by Governor Liu Jianfeng to the First Session of the First Provincial People's Congress on 30 January 1993]

[Text] Fellow deputies:

On behalf of the Hainan Provincial People's Government, I submit my government work report to this congress for examination and approval.

I. Five Years of the Basic Practice of Establishing Hainan Province and Running It as a Special Economic Zone

After the 14th CPC National Congress, in the new situation characterized by the further deepening of reform, expansion of opening up to the outside world, and the acceleration of socialist modernization, and with the spirit of the 14th national congress as the guide, the tasks of primary importance for Hainan Province's new government are to sum up practice over the last five years of establishing Hainan Province, to run it as a special economic zone [SEZ], and to set the goals and main work for the days to come.

In 1988, the party Central Committee and the State Council decided to establish Hainan Province and run it as the largest SEZ in China, and they have urged Hainan to speed up the pace of reform and opening up as well as economic development and construction, to strive to attain the nation's average economic level within three to five years, to reach the level of developed countries and regions by the end of this century, and to work hard to reach the level of economically developed countries and regions in Southeast Asia by adopting more preferential policies than those pursued by other SEZs. Establishing Hainan Province and running it as a special economic zone and conducting a comprehensive experiment in reform and opening up on a provincial scale shows fully the party Central Committee's and State Councils' great courage and resourcefulness. It is a major move taken by China to further deepen institutional reform and expand opening up to the outside world. The construction and development of the Hainan SEZ is of extremely great historic significance in expediting the development of China's cause of reform and opening up and socialist modernization as well as promoting the peaceful reunification of the motherland.

The five years since the establishment of Hainan Province and running it as a SEZ has been a period in which people of all nationalities and the vast numbers of cadres in the province struggled in unity and pioneered their cause through hard work. In the last five years, the Hainan SEZ has withstood severe tests in all aspects. In the face of such tests, the provincial party committee and

government kept very calm, analyzed objectively Hainan's favorable conditions and unfavorable elements, and clearly put forth a guiding thinking on "forging ahead while laying down a foundation" in view of Hainan's realities, such as poor infrastructure, extremely imbalanced social and economic development, and an irrational industrial structure.

The Hainan SEZ is a product of reform and opening up, which is also the prime mover for its development. Therefore, the moment the province was established, we formulated a policy of promoting development and construction with reform and opening up and established a new structure under which regulation by market mechanisms played a dominant role and diversified economic sectors coexisted side by side.

To accelerate Hainan's reform and opening up, the State Council granted it a series of preferential policies. However, because the international and domestic situation has changed and we lack experience, while old structures are undergoing drastic transformations, some preferential policies have not been implemented or thoroughly implemented. To solve this problem, in the second half of 1989, the provincial government raised the call to "make use of policies, lay the foundations, and pay close attention to policy implementation," and later added the contents of "striving for efficiency" to it, thus forming a working principle commensurate with Hainan's realities. The principle has played a tremendous role in helping people throughout the province struggle in unity, overcome difficulties, and open up a path of construction with Hainan own characteristics. At the end of 1991, in line with the spirit of Deng Xiaoping's instruction on "opening up on a large scale," we again raised the call "large-scale reform, large-scale opening up, and large-scale construction," thus ushering in a new surge of development and construction.

In the last five years, under the correct leadership of the Central Committee and the State Council, and thanks to the concerted efforts of the people of all nationalities in Hainan, the province has developed along the orbit of rapid development with its economic construction and other undertakings. Tremendous and profound changes have taken place on the face of Hainan, and the objective of "attaining the nation's average economic level within three to five years," an objective set by the State Council, has been achieved on the whole. The five years of Hainan Province's establishment has been a period which witnessed the most rapid and best development in the province's history. This has convincingly proven that the party Central Committee's and the State Council's policy decision on establishing Hainan Province and running it as a SEZ was wise and completely correct.

The province's national economic main indexes have increased by a wide margin. According estimates, the province's gross domestic product [GDP] amounted to 13 billion yuan, a 16 percent rise from the previous year and a 65.7 percent rise from 1987, or a yearly average increase of 10.6 percent; national income was 10.3

billion yuan, a 15.5 percent rise from the previous year and a 59.3 percent rise from 1987, or a yearly average increase of 9.8 percent; and total industrial and agricultural output value was 14.59 billion yuan, an 18.5 percent rise from the previous year and a 73.5 percent rise from 1987, or a yearly average increase of 11.7 percent. These indexes were all above the nation's average growth levels for the same period.

Industrial and agricultural production has been lifted to a new level and tertiary industry has developed rapidly. The provincial government has always upheld the party's various rural policies, strengthened the status of agriculture as the foundation of the national economy, continuously deepened rural reform, and established and improved the double-layer operational structure based on the combination of unified and separate management; tried every possible means to increase input, did a good job in the construction of farmland and water conservancy works, carried out comprehensive agricultural development, and developed the rural commodity economy; and conscientiously implemented the policy of "invigorating agriculture by the use of science and technology," attached importance to technical training and application, spread the extensive use of improved varieties and breeds, and reaped bumper harvests in agricultural production in consecutive years. In 1992, total agricultural output value was estimated to amount to 7.59 billion yuan, an increase of 9.5 percent compared with the previous year and an increase of 38.4 percent over 1987, or a yearly average increase of 6.7 percent. Grain production has made great strides in the last four years since 1989, and in 1992 total grain output was estimated to be 2.01 million tonnes, and accumulated growth of grain output totaled 812,000 tonnes over the last four years. The province has become basically self-sufficient in grain. The province's bluewater fishing capacity has significantly expanded, and the total output of aquatic products has doubled compared with the period before the establishment of Hainan Province. Township and town enterprises have begun to take off, and enterprise efficiency has gradually improved. According to an estimate, the output value of township and town enterprises totaled 2.1 billion yuan or a gain of 33.7 percent compared with the previous year. Animal husbandry, melons and vegetables, tropical crops, and forestry have developed relatively significantly. The internal structure of agriculture has been improved. Traditional agriculture is moving toward a modern large-scale agriculture and is gradually embarking on a path of high-output, high-quality, and high-efficiency. The province's industrial production has maintained continuing high growth momentum in the past five years. In 1992, total industrial output value was estimated to amount to 7 billion yuan, a rise of 30.2 percent from the previous year and a rise of 139.3 percent from 1987, or a yearly average increase of 19.1 percent. The industrial product mix has been further readjusted, and a diversified industrial system has gradually taken shape, which is composed of such sectors as electronics, light industry, textiles, metallurgy, mining, food, chemicals,

construction materials, machine building, and tobacco. While transforming operational mechanisms and improving management centering on the readjustment of the industrial structure and product mix, a batch of new products was developed by relying on technological progress, of which some 10 products have reached international levels. Enterprises' capability to meet emergencies and develop themselves has continuously been enhanced. Tertiary industry has developed by leaps and bounds. Post and telecommunications, communications, tourism, real estate, and other industries have shown a strong development momentum and have huge potential for further development. In 1992, the value added by the province's tertiary industry topped 4 billion yuan, a 17.7 percent rise over the previous year and a 66.7 percent rise over 1987, or a yearly average increase of 10.8 percent, which was higher than the GDP growth rate. Both the proportion of tertiary industry's added value in Hainan's GDP and of the work force employed by tertiary industry out of the province's total work force was higher than the national average. The development of the tourism industry witnessed historical records. In 1992, foreign-related hotels in the province estimated 1.97 million arrivals by domestic and foreign visitors, an increase of 40.1 percent over the previous year and an increase of 160 percent over 1987. The industry earned 310 million yuan (in foreign exchange certificates), a rise of 53.5 percent over the previous or 650 percent over 1987.

The trade, financial, and banking situation was very fine. In the province, the market has boomed with steady increases in purchases and sales. Prices were stable and commodity circulation has become increasingly livelier. Both domestic and foreign trade have developed rapidly, the export product mix has been continuously optimized, and an environment of competition on an equal footing has gradually taken shape. Hence, there was a good momentum for all the people, the collectives, and individuals to strive for common development. According to an estimate, in 1992, the total volume of social commodity retail sales amounted to 5.4 billion yuan, an increase of 20.1 percent over the previous year, 91.1 percent over 1987, or a yearly average increase of 13.8 percent. The total value of foreign trade was \$1.7 billion, or 26 percent higher than the previous year. Reforms of the financial and tax structures kept on deepening. "The separation of flows between taxes and profits" was instituted, and standards for pre-tax expense listings [lie zhi 0441 2388] were unified. Complex budgets were introduced, the city and county financial structures were readjusted, financial credits were developed, and financial revenues increased by a wide margin. According to preliminary statistics, in 1992, the province's financial revenues amounted to 1.479 billion yuan, an increase of 50.8 percent compared with the previous year and quadruple that of 1987, and expenditures amounted to 2.598 billion yuan, 31.9 percent higher than the previous year or 380 percent higher than 1987. The financial structure has been turned, from a single banking structure, into a structure under which

diversified financial institutions coexist, with the central bank in the lead and specialized banks as the main body, and a structure characterized by both cooperation and competition. More and more money markets have been opened, more and more forms of credit have been adopted, financial businesses have been developed rapidly, and the financial macro regulation and control mechanism, with indirect regulation and control playing a dominant role, has initially taken shape. Compared with the previous year, the year-end deposit balance in state banks throughout the province was estimated to have reached 2.85 billion yuan, a gain of 147.3 percent, and the loan balance was 20 billion yuan, a gain of 35.8 percent. Beginning in June 1992, banks in our province became savings deficit [cun cha 1317 1567] banks.

The people's living standards kept improving, and various social understandings have developed steadily. In 1992, per capita average income of the urban and rural population in the province was 2,020 yuan, up 17 percent from the previous and 107.6 percent from 1987, or a yearly average increase of 15.7 percent. Peasant per capita income was 850 yuan, up 7.6 percent from the previous year and 69.3 percent from 1987, or a yearly average increase of 11.1 percent. We have earnestly implemented the strategic principle of "invigorating Hainan with the use of science and technology" and actively carried out the "Spark," "bumper harvest," "solve key technical problems," and "prairie" programs, thus promoting the rapid development of science, technology, and education. In the last five years, 258 scientific research achievements won state and department-level awards. Many scientific research achievements yielded good economic results. The use of technological progress in the growth of the national economy became more and more frequent. Input to education has increased each year and conditions to run schools have been constantly been improved. Higher education has developed quite rapidly, secondary and primary school education have been further strengthened, and adult education and professional and technical education have gradually become standardized. Culture and physical culture have prospered. Gratifying achievements have been made in film, television, publication, and literature and art circles. In 1992, the province successfully sponsored the first "Hainan International Coconut Festival" and the third "Hainan Provincial Economic and Trade Symposium," achieving marked results. Within five years, the province has sponsored 1,000 mass sports meets of various kinds, and some athletes achieved outstanding results in major sports meets at home and abroad. Marked achievements have been made in public health and family planning work. Medical and sanitary conditions have been improved and our competence to prevent and cure diseases has been enhanced. Natural population growth dropped from 18.13 per 1000 before the province was established to 17 per 1000. Good results have been achieved in work in such fields as foreign affairs and Overseas Chinese affairs, religion, the

drive to support the Army and give preferential treatment to soldiers' families, clean government building, and comprehensive social order management.

In the last five years, to speed up the pace of reform and opening up as well as development and construction, we have taken six major steps:

1. Deepening economic structural reform and initially establishing the framework of a socialist market economic structure. Shortly after the establishment of Hainan Province, the State Council authorized Hainan to set up a new structure conducive to the development of the socialist commodity economy under the guidance of the state's macro planning, a system under which regulation by market mechanisms plays a dominant role. In the last few years, we have conducted bold explorations and taken the lead in the country in reforming the grain purchasing and marketing structure, thus achieving good results. Reform has helped increase peasants' incomes and has reduced financial burdens. The province has opened markets for farm produce, wholesale markets, short-term funds markets, and foreign exchange trading, and has made relatively great strides in price reform. At the end of 1992, the gap between planned and market prices of the means of production had been completely eliminated. The prices of basic goods have all been subjected to regulation by market mechanisms. Prices of labor service, foreign exchange swaps, and real estate have been liberalized on the whole. A social security system has been initially set up and is gradually improving. In line with the requirements of the "Enterprise Law" and the "Regulations Concerning the Transformation of the Operational Mechanisms of Enterprises Under the System of Ownership by the Whole People," all enterprises in the province have worked hard to improve internal management and to transform operational mechanisms. Many enterprises have actively carried out contract responsibility system operations and the risk-avoiding mortgage contract system. By introducing competition mechanisms and applying the principle of selecting the superior and eliminating the inferior, the province has closed down enterprises incurring great losses, merged them with other enterprises, or changed their product lines. It has implemented a shareholding system on an experimental basis in 35 selected representational enterprises. Now the basic framework of a new socialist market economic structure has taken shape initially, under which various economic sectors coexist side by side and enterprises of all types compete with one another and orient themselves to the market.

2. Continuously expanding opening up to the outside world, vigorously introducing investment from abroad and establishing economic associations with other parts of the country, and actively probing a path for the development and construction of the Hainan Special Economic Zone. To meet the needs of the development of an export-oriented economy, the province has always upheld the principle of "promoting development and construction with reform and opening up," worked hard to gradually establish an export-oriented economic system under

which things are handled according to international practices and international market orientation is upheld, formulated a series of preferential policies and measures to introduce foreign investment from abroad and establish economic associations with other parts of the country one after another, and actively import foreign funds, technology, and skills through more and more channels and forms. In the last five years, 3,393 foreign-invested enterprises from 34 countries and regions have been registered in our province. The amount of money involved in the contracts was \$3.47 billion, of which actual foreign investment was \$868 million. Coupled with loans from foreign governments, commercial loans, World Bank loans, and funds involved in processing with materials supplied, assembling with supplied parts, and compensation trade, a total of \$1.17 billion in foreign funds was utilized. Twenty-nine provinces, autonomous regions, and municipalities, and organs under the central government and the Army have set up 8,324 associated enterprises in Hainan with a total investment of 21.59 billion yuan, of which 5.67 billion yuan actually came from outside the province. The province has strengthened exchanges and cooperation with friendly countries and regions and has established friendly ties with states (prefectures) and cities, such as the U.S. state of Hawaii and Japan's Hyogo Prefecture. The province employs more than 10,000 scientists and technicians from other parts of the country and foreign countries. In particular, work for Chinese nationals living abroad, foreign nationals of Hainan origin, and Overseas Chinese has been effectively strengthened and this has helped boost their sentiments and confidence to invest in Hainan. In the last five years, the number of foreign nationals of Hainan origin coming to Hainan to visit relatives, for tourism, and to invest has increased considerably. To speed up the development of Hainan, we have opened a development path of "unified planning, foreign capital absorption, development of an entire area, and comprehensive compensation." Fourteen development zones, which have been approved by the provincial authorities, have started construction one after another. Construction of the Yangpu Economic Development Zone, where foreign investors have contracted to develop the entire area, has begun. The Haikou Bonded Zone and the Yalongwan National Tourist Vacation Area have been approved by the State Council and have begun construction. Opening up to the outside world has been continuously expanded in depth and width.

3. Paying close attention to the construction of infrastructure and constantly improving the investment environment. The provincial government has always given priority to the construction of energy, communications, telecommunications, and other infrastructure. In the last five years, the province's investment in fixed assets amounted to 1.95 billion yuan, or nearly 200 percent more than in the 36 years before the establishment of Hainan Province. Compared with before the establishment of Hainan Province, the province's installed power capacity at present is some 800,000 kilowatts, or an

increase of more than 100 percent, and electric energy production is nearly 2 billion kilowatt hours [kwh] or an increase of 140 percent. The province has 14,000 km of roads, and 62 km of the eastern expressway has been opened to traffic. Of 68 natural harbors, 20 have been developed. An additional four ports, including Yangpu Port, have been opened to the outside world. The number of 10,000-tonne-class berths has increased from two to 10, thus significantly boosting the handling capacity of the ports, and the number of air routes has been expanded from four to 25, with 98 scheduled flights a week. Haikou Airport has become one of China's top 10 airports. The construction of the Fenghuang Airport in Sanya is in full swing, and is expected to open in 1994. A complete system of telecommunications facilities has taken shape. The province's urban telephone capacity has been expanded from 19,000 lines before the establishment of Hainan Province to 94,600 lines, enabling the province to stand among provinces which have realized telephone automation. Tourism facilities in the province have been improved considerably. At present, the province already has the conditions for large-scale development and construction.

4. Trying every possible means to implement the preferential policies granted to Hainan by the central authorities. In 1988, the State Council issued Document No. 24 and Document No. 26, which clearly defined a series of preferential policies for Hainan. For various reasons, we met many difficulties in implementing them. Therefore, the provincial government has worked hard to better implement the policies in three ways. 1) It organized leaders at all levels and the vast numbers of cadres in the province to study repeatedly the State Council's 1988 documents; to profoundly understand the gist of the documents; to implement the preferential policies in a satisfactory, full, and creative way; to set up a provincial investment promotion committee and a joint examination and approval office; to work hard to simplify examination and approval procedures for the introduction of investment from abroad and the establishment of economic associations with other parts of the country; and improve work efficiency. 2) Provincial government leaders and department and bureau leaders actively and willingly reported the province's developments to the departments concerned under the State Council and communicated information so as to win their understanding and support. 3) When Jiang Zemin, Li Peng, and other central leaders inspected our province, we actively reported the difficulties we had encountered in implementing the preferential policies. While attending national meetings, we also willingly reported on difficulties at meetings, thus attracting the attention of central leaders and implementing such policies as issuing visas to visitors on landing [luo di qian zheng 5507 0966 4687 6086]. In May 1992, a meeting of comrades in charge of various relevant departments under the State Council, which was presided over by Vice Premier Zhu Rongji, especially studied the question of how to implement the preferential policies. Through unremitting efforts, most of the policies granted to us by the State Council have

been implemented and breakthroughs have been made in separate financial management, import-export trade, product access to international markets, and other fields of endeavor.

5. Doing a good job in work to help the poor; developing the economies of areas inhabited by minority nationalities, mountainous areas, and old revolutionary base areas; and promoting national unity. Speeding up the development of the areas of our province inhabited by minority nationalities, the mountainous areas, and old revolutionary base areas is an important task facing our effort to establish Hainan Province and run it as an SEZ. In accordance with the provincial CPC committee and government 1988 "Resolution on Strengthening Nationalities Work" and 1992's "Resolution on Several Questions Concerning the Economic and Social Development of Areas inhabited by Minority Nationalities," we have formulated a series of preferential policies and measures to develop the economies of areas inhabited by minority nationalities, mountainous areas, and old revolutionary base areas. To accelerate the social and economic development of these areas, in the last five years, financial authorities have spent about 1.2 billion yuan and made use of more than 5 billion yuan in state bank loans to fund the construction of key development projects and the development of industrial and agricultural production, education, science and technology, culture, health, and other social undertakings. While increasing input, we paid attention to developing the "blood forming function" of minority areas, mountainous areas, and old revolutionary base areas. The development of entire areas, management by separate households, the large-scale development of the courtyard economy, the building of demonstration bases, the launching of key development projects, and the active absorption of funds, technology, and skills have effectively promoted the economic development of such areas. Of approximately 2.02 million poverty-stricken people in the province in 1985, 1.6 million have managed to shake off poverty, with the rate being 79.2 percent. Of them, 450,000 have become rich.

6. Taking the lead in implementing the new structure of "small government and big society" at the provincial level. In accordance with the principles of capable administration, high efficiency, and incorruptibility and the requirements of political restructuring, while abandoning the traditional pattern of provincial-level organs and disbanding the existing administrative prefectures and autonomous prefectures, our province has made a thorough administrative overhaul and has established a new structure of "small government and big society," thus making an important step in political structural reform. At the very beginning, the province had set up just four major systems and 26 departments and bureaus and strove to explore a new path of applying macro regulation and control mainly by using economic and legal means, and initially it separated the functions of government from those of enterprises. In 1991, in view of the "small government" operations, the new structure

was readjusted. In 1992, the provincial government issued the "Proposals for the Transformation of Functions, the Simplification of Administrative Procedures, and the Delegation of Power to Lower Levels," thus promoting the transformation of government functions and strengthening macromanagement and promoting functions to inspect, supervise, encourage, guide, and serve. At the same time, we quite satisfactorily handled the proposals and bills of the people's representatives and members of the Chinese People's Political Consultative Conference and subjected ourselves to democratic supervision. Hence, there were close ties between the government and the people. We have conducted comprehensive reform experiments at the county level and gained some experience from there. At present, the new structure of "small government and big society" is operating normally on the whole.

After reviewing and summing up what we have traversed and practiced in the last five years, we have gained four understandings with regard to our work and to development and construction.

First, it is necessary to fully emancipate the mind. The CPC Central Committee and State Council decision to establish Hainan Province and run it as an SEZ is the concrete manifestation of full ideological emancipation. Every achievement or every step forward Hainan has made in the last five years is undoubtedly the result of full ideological emancipation. These are all a result of full ideological emancipation ranging from the establishment of the "small government and big society" structure; reform of social security and other structures; the advocacy of the Yangpu model to the building of the Yangpu Economic Development Zone; and, in particular, the gradual liberalization of prices for basic goods, the urban population's grain ration prices and prices of the means of production, the initial formation of a socialist market economy framework, permission for the development of individual and private enterprises and foreign-invested enterprises, the coexistence and competition on an equal footing of diversified economic sectors, the implementation of the State Council's preferential policies, the construction of the Haikou Bonded Zone, the Sanya Yalongwan National Vacationing Area, and the transformation of traditional agriculture to explorations for a comprehensive agricultural experimental zone. Without full ideological emancipation, there would be not be the China of today, which is changing with each passing day, as one may well say. Our reform and opening up still leaves something to be desired, as well as our development and construction. The reason for this state of affairs is, more often than not, because we have not emancipated our minds enough.

Second, it is necessary to unshakably uphold economic construction as the center. Upholding economic construction as the center is the summation of the positive and negative experiences we have gained in the last 40 years or so since the founding of the People's Republic of

China, and this has become a consensus of understanding for the whole party and people throughout the nation. In the last few years, in the course of Hainan's reform and opening as well as development and construction, no matter how the international situation has changed, we have always carried out our work in various fields, which has centered closely on economic construction, and subjugated all work to and served this center rather than weaken or replace it. We have devoted most of our energy to economic construction, resolutely undertook all development projects that could be undertaken, and accelerated their construction as quickly as possible. To put an end to Hainan's economic backwardness, we should pay attention to arousing and protecting the enthusiasm of the various sides concerned, bring the wisdom and intelligence of the broad masses of cadres and people into full play, and let them display their talents to the full on the arena of economic construction. It is precisely because of this that the province's economic construction has maintained its vigor and vitality and has achieved consecutively gratifying results.

Third, it is necessary to always uphold the principle of promoting development and construction with reform and opening up. The tremendous achievements scored in the last five years since the establishment of Hainan Island are inseparable from the bold implementation of the policy of reform and opening up. Through reform, our investment environment has kept on improving and the economic operation mechanism is moving toward the economic operation model universally adopted by the international community. Through opening up, we have absorbed funds that constitute two-thirds of the funds invested in fixed assets in the last five years; introduced technology, equipment, and badly needed skills; and learned and used for reference advanced managerial expertise and methods, while our technology and products also have steadily entered world markets. The more we deepen reform, the wider we open our country to the outside world, and the faster we carry out development and construction, the more tangible the achievements will be.

Fourth, it is necessary to do two types of work simultaneously, attaching equal importance to both. Ours is a socialist SEZ. While carrying out reform and opening up, the four cardinal principles should be upheld. Both upholding the four cardinal principles and adhering to reform and opening up are aimed at better liberalizing and developing the productive forces. In the last five years, while paying attention to the building of material civilization, we have never slackened our efforts in building socialist spiritual civilization, and have made unremitting efforts to comprehensively manage social order, wipe out the "seven evils," straighten things out in the housing sector, correct unhealthy practices in trades, and launch socialist education activities, thus ensuring the healthy development of reform and opening up as well as development and construction. At the same time, we have adhered to "managing the province according to law" and laid stress on strengthening the building of a

socialist legal system. While doing two types of work simultaneously and attaching equal importance to both, we have upheld the principle of seeking truth from facts and acting according to law. In the last five years, the province has promulgated 164 local laws and regulations as well as administrative rules and regulations and initially set up a relatively complete legal system, thus creating sound conditions for the SEZ to embark on a path of legalization at the moment of its establishment.

While summing up practice and achievements over the last five years, we must also soberly notice that much needs to be improved in our work and that some problems badly need urgent solutions, such as the government's inadequate macro regulation and control of the economy, office work efficiency needing further improvement, state-owned enterprises' operational mechanisms not being fully transformed and their economic efficiency being poor, readjustment of the industrial structure progressing slowly, the market not being fully developed, key development projects suffering fund shortages, infrastructure facilities failing to meet the needs of economic development, local and county development plans and state plans for land use being imperfect, macromanagement of the property market being relatively poor, and family planning work needing further strengthening. In accordance with the requirements set by the 14th CPC National Congress, we should conscientiously analyze and solve these problems in a down-to-earth manner.

II. Implement the Spirit of the 14th National Congress and Revise the Eighth Five-Year Plan and the 10-Year Program To Speed Up the Pace of Province's Opening and Development

In his report to the 14th CPC National Congress, Comrade Jiang Zemin clearly defined China's task to accelerate reform and opening up and promote economic development and social progress, and clearly demanded "accelerating the opening up and development of Guangdong, Fujian, Hainan, and the Bohai Gulf region. Let us strive to make Guangdong, and other places where conditions are ripe, become areas where modernization is basically realized in China in 20 years or so." Accelerating Hainan's opening up and development is a high hope placed by the CPC Central Committee on Hainan and is also a strong wish and urgent demand of the people of all nationalities in the province.

The current international situation is to our advantage and the domestic situation is very fine. Some provinces and municipalities in coastal areas, with quite rapid economic development and relatively high economic level, have worked out concrete goals of endeavor and measures for basically realizing modernization. At present, though the province has many problems, it still faces a good opportunity to accelerate development. We must firmly grasp this opportunity, forge ahead to catch up with economically relatively developed regions at home and abroad, and strive to basically realize modernization in Hainan through 20 years of effort. We will

achieve this goal roughly in two stages. At the first stage, at the end of this century, the province's GDP will amount to 45 billion yuan (calculated at 1990 prices), quadrupling at least 1990's GDP, and this will increase at a yearly average rate of 16.8 percent, and per capita GDP will reach 2,400 yuan. The main standards set by the State Statistics Bureau for a comparatively affluent life are for a per capita GDP of 2,400 yuan, the proportion of tertiary industry in GDP being 36 percent, the proportion of the population living in poverty being under 5 percent, and eight other indexes in such areas as housing, food and drink, cultural life. We plan to achieve the level of a comparatively affluent life before 1997. In the second stage, by the year 2010, the province's GDP will have reached 181.5 billion yuan, a yearly average increase of 15 percent in 10 years, and its per capita GDP will amount to 20,000 yuan, basically reaching the level Guangdong has planned for the same year.

According to this strategic step, in the light of the implementation in the first two years of the Eighth Five-Year Plan and in accordance with the spirit of the resolution adopted by the plenary session (enlarged) of the first provincial party committee, the provincial government revised the province's Eighth Five-Year Plan and 10-Year Program. In the new situation of faster reform and opening up, and modernization as well, the general guiding ideology for Hainan's economic and social development during the Eighth and Ninth Five-Year Plans is: comprehensively and thoroughly implement the spirit of the party's 14th national congress; upholding the basic line of "one center, two basic points," with Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as the guide; adhering to the principle of promoting development and construction with reform and opening up; accelerating the establishment and improvement of the new socialist market economic structure; "learning from and catching up with Guangdong"; emancipating the mind; rousing oneself; enhancing the sense of urgency; building the province into a SEZ in which equal stress is given to agriculture, industry, trade, and tourism, with an export-oriented economy playing a dominant role, tertiary industry is developed in a coordinated way, the market mechanism is relatively sound, and the people's livelihood has reached the level of the advanced areas of our country; and laying a solid foundation for basically realizing modernization by the year 2010. In accordance with this guiding ideology and the goals to be achieved in the first stage, the main indexes of the province's national economic development during the Eighth and Ninth Five-Year Plans will be revised in the following ways:

GDP in 1995 will amount to 20 billion yuan (calculated at 1990 prices; the same applies below), per capita GDP will reach 2,816 yuan, a yearly average increase of 16 percent during the Eighth Five-Year Plan, and GDP in 2000 will be 45 billion yuan and per capita GDP 5,829 yuan, a yearly average increase of 17.6 percent during the

Ninth Five-Year Plan. The proportion of GDP made up by tertiary industry will be 34 percent in 1995 and more than 38 percent by 2000.

National income in 1995 will be 15.8 billion yuan, an annual average increase of 17.1 percent during the Eighth Five-Year Plan, and national income by the year of 2000 will be 34.8 billion yuan, an annual average increase of 17.1 percent during the Ninth Five-Year Plan.

Total industrial and agricultural output value in 1995 will reach 23.4 billion yuan, an average annual increase of 17.1 percent during the Eighth Five-Year Plan, of which total agricultural output value in 1995 will be 10 billion yuan, an annual increase of 9.9 percent, and total industrial output value in 1995 will be 13.4 billion yuan, an annual average increase of 25 percent.

According to the requirements of the revised Eighth Five-Year Plan and 10-Year Program, GDP should grow at an average rate of 16 percent a year during the Eighth Five-Year Plan and at an average rate of 17.6 percent a year during the Ninth Five-Year Plan, which is a relatively high growth rate. Nevertheless, seen from the requirement of basically realizing modernization, this rate is necessary. Moreover, an analysis of the practice of building Hainan Province and running it as a SEZ over the last five years, and the existing foundation for economic development, shows that this growth rate can be completely achieved with some effort.

This growth rate is necessary, chiefly because current international competition is becoming increasingly acute, surrounding countries and regions are speeding up development, and brotherly provinces and autonomous regions in our country are also accelerating development. As China's largest SEZ, if Hainan's development slows down, not only will the province be unable to approach and catch up with advanced regions at home and some economically relatively developed countries and regions, but it will also find the gap possibly widening further. Since our foundation is poor but our goals are high, it will not do for us to have a low growth rate. Only when we develop a bit faster than others can we hopefully attain the level of a domestically advanced region. Ours is a small province, which was just established recently. It has a poor foundation and a small base figure of economic development, which carries insignificant weight in the nation's economic development. In 1992, Hainan had about 6.5 billion yuan in fixed assets, constituting just 0.9 percent of the nation's 720 billion in fixed assets, and two-thirds of its investment in fixed assets came from investment absorbed in the course of introducing investment from abroad and established economic associations in the province with other parts of the country. Moreover, Hainan's current economic improvement objectively calls for a relatively fast growth rate. Therefore, whether seen from Hainan's economic development, investment structure, or investment sources in the past, or from an analysis of the proportion of Hainan's economic development in the nation's total

economic development and the objective needs of Hainan's current economic development, maintaining a relatively fast growth rate is an objective requirement of economic development.

This growth rate is feasible: 1) because the acceleration of reform and opening up has tremendously aroused the enthusiasm of various sides concerned and a new pattern of multilayer, multichannel, and omnidirectional opening up is taking shape. The province's economic ties with many countries in the world, and in particular surrounding countries and regions, are becoming increasingly close. More and more cooperation and exchanges have been conducted, thus creating sound conditions for us to make use of foreign funds, resources, technology, skills, and managerial expertise. 2) Because we are currently at the initial stage of economic growth and have quite a small base figure, we can strive for a relatively high economic growth rate with some effort. Annual growth rates of some sectoral indexes in the previous two years of the Eighth Five-Year Plan, such fields as industry, agriculture, and investment in fixed assets have surpassed the originally planned ones. Indexes for total grain output, aquatic products output, total export value in foreign trade, actual utilization of foreign capital, financial revenue, total telecommunications and post transactions, and foreign exchange earned by the tourism industry have increased by a wide margin. Individual indexes have fulfilled the figures set by the original Eighth Five-Year Plan three years ahead of schedule, and a considerable number of indexes are expected to approach or surpass the 1993 figures, which were originally planned to be achieved in 1995. National economic development has shown good momentum. 3) Because an analysis of investment in fixed assets shows that, through five years of construction, our material and technological foundation has been strengthened and the construction of a number of large and medium-sized key development projects has been completed or will be completed soon, this will quite significantly help boost productive capacity and traditional models of the industrial pattern and economic growth modes will come to an end. Total investment in fixed assets during the Eighth Five-Year Plan is expected to top 40 billion yuan; some newly launched large and medium-sized projects will develop new productive capacities during the Eighth Five-Year Plan and most of them will yield results during the Ninth Five-Year Plan. According to initial calculations, major industrial projects alone will form additional industrial production of 10 billion yuan by the year 2000. The planned scale of the province's investment in fixed assets during the Ninth Five-Year Plan will greatly surpass that of the Eighth Five-Year Plan, and calculated on an input-output standard of 1 to 2, the average annual 1 billion yuan technological transformation fund will yield an addition value of 2 billion yuan a year. Therefore, the economic growth rate during the revised Eighth and Ninth Five-Year Plans will have a fairly sound material foundation. 4) Because the province has vigorously introduced investment from abroad and has established economic associations with other

parts of the country, tertiary industry has developed steadily, township and town enterprises have accelerated development, and there are still enormous resources and potential for agricultural development to be tapped; during the Ninth Five-Year Plan, the Yangpu Economic Development Zone will gradually develop productive capacity. All these are important factors for the acceleration of the province's national economic development in the days to come. When drawing up plans, we should allow for unforeseen circumstances. Therefore, we have not included specific calculations for the above factors in our plans. According to an analysis of the above-mentioned four aspects, the growth rates in the revised Eighth and Ninth Five-Year Plans have an objective foundation. If the province's national economy grows at this rate, the goals for 2010 can be attained.

In line with the requirements of the revised Eighth Five-Year Plan and 10-Year Program, with "strengthening the foundation, improving the market, undertaking projects wholeheartedly, and raising standards" as the basic principle, and in accordance with the demands set by the provincial party committee to "learn from and catch up with Guangdong," governments at all levels and departments in the province should emancipate their minds, seek truth from facts, and carry out work in all fields in a down-to-earth manner.

Supraconventional economic development calls for supraconventional measures. In the years to come, in the light of the requirements of the 14th national congress and the realities in our province, governments at all levels and departments in the province should conscientiously do a good job in the six aspects of work which have a bearing on the overall situation.

1. Further Emancipate the Mind

Ideological emancipation is a long-term process. At different historical stages, the contents and tasks of ideological emancipation are different, but they have one thing in common: namely, taking the theory of building socialism with Chinese characteristics as the guide, striving to change and overcome ways of thinking and work methods incongruous with the development of the productive forces, and actively make reference to and absorb all things conducive to the development of the productive forces. In terms of the actual conditions in our province, we should continue to free ourselves from the trammels of several old ideas and values.

(1) Break away from the trammels of the mentality of a small-scale peasant economy. Washed away by the great tide of reform and opening up in the last 14 years, the market for the old conception of a small-scale peasant economy in our province has shrunk greatly. However, it still has a considerable influence on some aspects of our social life. For Hainan's economy to maintain its high growth, it is necessary to continue to overcome once and for all the trammels of the mentality of a small-scale peasant economy and enhance the awareness of the market under a commodity economy, competition,

value, and benefits and efficiency, so that the broad masses of cadres and people will adapt themselves ideologically to the requirements of a socialist market economy.

(2) Continue to break away from the trammels of the mentality of a highly concentrated and unified planned economy. Although Hainan Province has been managed as a SEZ in practical work, the mentality of the old planned economy is still around. On the one hand, in government organs, some people are used to handling affairs according to regulations, procedures, and methods under a highly concentrated and unified planned economy, and they have had inadequate study of and a meager understanding of the problems of macro regulation and control, which require urgent solutions, and they are thus unable to exert themselves to the full to solve these problems. On the other hand, instead of actively becoming involved in market competition on an equal footing, some enterprises have pinned their hopes on the state and "waited for, relied on, and asked for" special treatment, such as financial allocations by the government and planned norms. This situation must change.

(3) Break away from the trammels of the idea of not having high aspirations and attempting nothing and accomplishing nothing. Since the establishment of Hainan Province and the management of the province as an SEZ, we have basically realized modernization within a comparatively short time. This is an unprecedented and great cause, which needed indomitable hard efforts. Blaming the heavens and others, attempting nothing and accomplishing nothing, hesitating to move forward, and lacking initiative and being overcautious are incompatible with the tide of reform and opening up for which the people throughout the nation and the province are working hard.

In the final analysis, ideological emancipation is aimed at transforming traditional concepts into the idea of a socialist market economy and transforming ossified and conservative models of thinking into new lines of thinking characterized by an indomitable enterprising spirit and bold trailblazing. It is necessary to make good, full, and creative use of the preferential policies granted to our province by the central authorities, and have the courage to conduct experiments, break through, and act, so long as what we have done is not what is prohibited by formal decree and that what we have done is in line with the "three beneficiais [you li yu 2589 0448 0060]" as advocated by Comrade Xiaoping. Ideological emancipation and seeking truth from facts are dialectical and unified. Ideological emancipation means judging the hour and sizing up the situation, blazing new trails in the light of actual conditions and in line with the laws governing the socialist economy, and continuously pushing ahead reform and opening, as well as development and construction, rather than acting recklessly in disregard of the objective conditions.

2. With the Establishment and Improvement of the Socialist Market Economic Structure as the Objective, Increase the Intensity of Reform, and Speed Up its Pace

Currently, reform is being universally carried out at an accelerated rate across the country. Only when we increase the intensity of reform and speed up its pace can we establish and improve a new socialist market economic structure as quickly as possible, can we continue to maintain our strong points, and can we create favorable conditions for our province's fast economic development.

(1) Establish a single, perfect market system. Our existing market system is not perfect and lacks unified and organized planning. The focus of market construction should be shifted to accelerating the development of markets for the factors of production, such as capital, labor, technology, information, and real estate. Efforts should be made to draw up as quickly as possible a plan for the construction of a province-wide market system, to encourage all sides concerned to raise funds and absorb foreign capital for market construction—with stress on the construction of large-scale, multilayer, and omnifunctional markets for the means of production, means of subsistence, and securities, and wholesale markets—so that markets of various types are rationally distributed in the province. This will help promote a free flow of goods and ensure that there is flexibility, not chaos, in market construction.

(2) Transform enterprise operational mechanisms once and for all and form, as quickly as possible, a modern enterprise structure with the shareholding system playing a dominant role. At present, state-owned enterprises are relatively small in scale and occupy a limited position in the national economy. This serves as a favorable condition for us to conduct reform of the shareholding system and transform enterprise operational mechanisms once and for all. Methods should be worked out as soon as possible for the province to implement the "Regulations Concerning the Transformation of Operation Mechanism of Industrial Enterprises Under the System of Ownership by the Whole People." Enterprises should center all their activities on the market, subjugate themselves to the market, harmonize relationship with the higher authorities, and strengthen internal management. Enterprises under the system of ownership by the whole people, which suffer great losses in operation and cannot be transformed by introducing a shareholding system or practice a contract system, should be firmly merged, auctioned, leased out, or even declared bankrupt. Enterprises should be encouraged to extend their operations beyond the limits of their respective industries.

(3) Establish and improve a new-type social security structure. From 1 January 1992, Hainan began to reform aspects of its social security structure, such as pensions, job awaiting, medical care, and industrial injury, and has had fairly good results since then. Nevertheless, the social security structure needs prompt improvement. (1) The various links of social insurance, such as the pooling

of social insurance funds, payment and funding operations, guaranteeing value, and appreciation, need to be further studied and improved. 2) The scope of social security should be further expanded, and enterprises of all types registered in the province and individual laborers in cities and towns should be brought into the orbit of new social insurance as quickly as possible. 3) Complementary reforms of the social security structure should also be carried out simultaneously. As far as enterprise employees are concerned, the demarcation line between cadres and workers, between permanent and contract or temporary workers, between workers who have urban and rural permanent residency, and between workers with local permanent residency and outside workers, should be wiped out. Enterprises and workers should be allowed to make a two-way choice in terms of employment, and a new type of enterprise labor personnel system should be set up. A new type of enterprise wage system should be set up in accordance with the principle of linking wages directly to efficiency. The government should set minimum wage rates and readjust them in the light of economic development levels and price changes. We should expedite reform of the rural housing system and adhere to the path of housing reform, which combines increases in rent subsidy steps, the building of houses using locally pooled funds, and the sale of public houses.

(4) Continue to deepen reform of the financial, tax, and banking structures. 1) Reform of the state assets management structure should be accelerated. The management of state assets by the government should be transformed from the existing physical goods formation management to a value formation management so as to orient the management of state assets to the market. It is necessary to set up the market trading assets and promote the rational flow of assets through just, open, and fair unified trading of assets. While comprehensively delegating decisionmaking powers to enterprises, we should establish an index system with returns on capital as the core and assess the benefits of the operation of state property by asset operating institutions. 2) The new tax structure should be improved. While continuing the implementation of the Hainan SEZ preferential tax policy, we should reform the existing tax system using international common practices as reference, set up unified and standard income tax and turnover tax systems, strengthen and improve the categories of taxes congruous with the market's economic structure, and firmly abolish those incongruous with the structure. We should persist in managing tax revenues according to law, enhance the rigidity of taxation and its function to collect financial resources, and form a fair, light-taxation, simple, and unified taxation system for the Hainan SEZ. Accountants offices and tax consulting agency systems should be instituted and improved. 3) The new financial structure should continue to be improved. Further efforts should be made to readjust the distribution relationship among the province, cities, and counties, and between the state and individuals; strengthen construction of the groundwork for financial

resources; set up a rational financial revenue structure; reform the financial expenditure structure; enhance the self-support ability of financial departments at all levels; gradually abolish government subsidies for loss-making enterprises; and set up a public financial operation mechanism characterized by sound functions, steady growth, and a balance in revenue and expenditure. 4) The banking management structure should be further reformed. We should facilitate the process of forming state specialized banks in our province which are enterprise oriented, actively prepared to set up local banks, introduce and develop foreign banks; form Chinese-foreign joint venture banks; gradually expand the volume of foreign currencies exchanged; develop and improve the securities market and the market for short-term renminbi funds; continue to develop nonbanking financial institutions of various types; open financial businesses based on international common practices; and strive to gradually make Hainan Province one of China's financial centers.

3. Continue To Uphold the Principle of Large-scale Opening Up and Consolidate and Develop the Province's Omnidirectional and Multilayer Opening up Pattern

Hainan is China's largest SEZ. Being more open than any other part of the country is Hainan's strong point. Ours is an omnidirectional and multilayered opening up. The work of all cities, counties, departments, and units should all be brought into the orbit of opening up. We should better introduce and use more funds, resources, talents, technology, and managerial expertise from at home and abroad.

1. Pay close attention to taking the development of entire areas as an important move of opening up to the outside world. We should continue to regard the Yanpu Economic Development Zone as the "focus of focuses," ensure smooth progress of construction in various fields as required by the zone's general plan, and bring Yangpu's radiating [fu she 6553 1410] role into full play. Meanwhile, we should do a good job in the construction of the Haikou Bonded Zone and the Sanya Yalongwan National Tourist Vacation Area. We should strengthen planning and guidance for the various development zones so that they are rationally distributed and will help stimulate high economic growth.

2. Readjust policy on foreign capital utilization and improve working methods for introducing investment from abroad and establishing economic associations with other parts of the country. We should expand the operational scale of foreign-funded enterprises, simplify procedures for the examination and approval of industrial and commercial enterprise registrations, set up using investment funds introduced from abroad, try every possible means to absorb more funds from abroad, vigorously attract large outside enterprises and selected provinces and municipalities to invest in the provinces, and at the same time set up a service system in support of domestic

enterprises operated by using investment funds introduced from abroad and create a sound investment environment for them. In line with the province's requirement that tertiary industry will develop in a coordinated way, we should give active guidance to the direction of domestic and foreign investment in our province, minimize blindness in this regard, and raise investment returns.

3. Deepen reform of the foreign trade structure. We should work hard to formulate and revise our methods for managing foreign trade, minimize the use of mandatory planning, maximize the use of guidance planning, continue to pursue the market diversification [du yuan hua 1122 0337 0553] strategy, actively develop international markets, and export more local products to earn foreign currency. At the same time, we should also deepen reform of the internal operations and management structures of foreign trade enterprises, subordinate enterprises directly to international markets, and ensure that Hainan's foreign trade maintains its strong development momentum after China's status as a GATT signatory nation is restored.

4. Optimize the Industrial Structure and Strengthen Construction of Infrastructure

1. Strengthen the status of agriculture as the foundation of the national economy and ensure a stable agricultural development. Since the establishment of Hainan Province, its agriculture has reached a new level. Bumper harvests in grain production have been reaped one after another and a relatively big improvement has been achieved in the peasants' standard of living. Nevertheless, rural social and economic development has been imbalanced. More than 400,000 people across the province have not yet shaken off poverty. Agricultural infrastructural facilities remain quite poor, agriculture's ability to resist natural disasters is still relatively poor, and grain production is not stable. Therefore, the task of agricultural development in the days to come is still extremely arduous. There will be no economic stability without agricultural development. Grain shortages will lead to social disorder. In Hainan, 80 percent of the population lives in rural areas. Without stable agricultural development, high economic growth for the entire society is out of the question. In the new situation of reform and opening up, we should continue to strengthen the status of agriculture as the foundation of the national economy and should never slacken our efforts in or weaken agriculture or dampen the peasants' enthusiasm for production. While developing agriculture, we should combine conventional and high-efficiency agriculture and strive to develop high-output, high-quality, high-efficiency agriculture of an exchange earning type. 1) It is necessary to continue to increase output and strengthen capital construction of water conservancy works. As China's banking structural reform deepens, state banks will gradually practice asset-to-debt ratio [fu zhai bi li 6298 0280 3024 0173] management. This being the case, from now on, we should actively adopt measures to raise funds through many

channels for agricultural investment, strengthen management, and energetically increase returns from agricultural investment. 2) While making great efforts to spread the extensive use of improved varieties and breeds, transforming medium and low-yield land, and preserving stable growth in grain output, vigorous efforts should be made to develop the production of melons and vegetables out of season, and tropical crops, aquatic breeding, and deep-water fishing. 3) Aiming at domestic and overseas markets, we should actively develop intensive processing of the province's agricultural and sideline products and work hard to increase added value. 4) While deepening rural reform and continuing to improve the system of contract responsibility on a household basis with remuneration linked to output, a system that combines unified and separate management, we should develop a rural shareholding cooperative economy, encourage the setting up of township and town enterprises, strengthen the building of rural preproduction, production, and post production service systems, and encourage peasants to get involved in the circulation sector and engage in marketing businesses.

The reclamation of farmland is an important force in Hainan's reconstruction. Over the past five years, reclamation has scored marked results in agriculture, scientific research, introducing investment from abroad, and establishing lateral ties with other parts of the country, readjustment of the industrial setup, and the development of whole stretches of land. However, with the market economic structure taking shape in China, farm reclamation is also facing stern challenges. In accordance with the requirements of the decision of the provincial CPC committee and government on several issues on accelerating the economic development of these farms, it is necessary to take an active part in organizing related experts to study in depth how to give full play to the advantages of qualified people, technology, management, and production, to thoroughly convert operational mechanisms, to widen the realm of production and operations, to accelerate readjustment of the industrial setup, as well as the building of infrastructure with the market as a guide and progress in science and technology as support so that reclaimed farms become a vital new force in bringing high-rate economic growth to Hainan's vast rural areas.

2. Magnify industry's dominant place. Relatively speaking, industry is the weakest of all sectors in our province today. Because of technological backwardness and outmoded equipment, products from Hainan's existing industrial enterprises lack competitiveness. This being the case, magnifying industry's dominant place to make it a major industry that brings along the economic development of the whole province is an important link of the province's economic work from now on. On the one hand, it is necessary for us to grasp firmly the launch of a number of large and medium-sized backbone enterprises that are advanced technologically, such as car manufacturing plants, natural gas and chemical fertilizer factories, and metal processing plants. On the other

hand, it is necessary to quicken the pace of technological progress in existing industrial enterprises after the universal practice of developed countries, organize and set up a number of large and medium-sized backbone enterprises that are technologically advanced and have marketable products and strong competitiveness. Regarding sources of funds, it is necessary to widen our trains of thought and channels for fund collection and boldly seek ways of issuing bonds, seeking foreign loans, and spreading the shareholding system to ensure ample funds for the smooth completion of newly launched projects and that they are put into high-rate, quality production.

3. Accelerate tertiary industry. It is necessary to earnestly implement the "Decision of the Central Committee and the State Council on Accelerating the Development of Tertiary Industry," seize the favorable opportunity to accelerate the development of tertiary industry by giving full play to the enthusiasm of all aides with the joint efforts of the state, collectives, and individuals. It is necessary to grasp the tourist industry as a locomotive, further augment planning work for exploiting resources in the tourist industry, import funds from other parts of the country and overseas to accelerate building of tourist facilities so that Hainan will gradually become a tourist and holiday resort known in China and abroad. At the same time, it is necessary to continue to encourage the development of commerce, service trades, consultancies, communications and transportation, banking, and real estate business. By the year 2000, tertiary industry will account for 38 percent of gross national product [GNP].

4. Continue to improve our hard investment environment. Presently, some large industrial projects are being launched one after another, and the contradiction of infrastructure falling behind the demands of economic development will soon intensify. This being the case, we should not relax the building of infrastructure, but should augment it. In energy resources, we should strive to complete the key water control projects of the Daguanba Hydropower Station ahead of schedule, and the third-phase project of the Haikou Power Plant must be launched during the Eighth Five-Year Plan. In communications and transportation, those projects under way or about to be launched, including the eastern expressway, Fenghuang Airport, Haikou's new airport, the second-phase project of the Yangpu port, and the second-phase of Haikou port should be grasped firmly for completion or launch as quickly as possible. Telecommunications and the water supply system should continue to be augmented.

5. Develop intensively the economies of minority nationality, mountainous, and old revolutionary areas. Work supporting the impoverished in the "three areas" should be taken as the key to realizing comparatively affluent living standards provincewide in 1997; it is necessary to quicken the pace in getting rid of poverty and becoming affluent and in striving to fulfill the task of getting rid of poverty across the province in 1995.

6. Pay attention to exploiting ocean resources. Hainan is a big province surrounded by the sea; we should give full play to its advantages in ocean resources. The important role of exploiting ocean resources in a big way will make itself increasingly keenly felt in our province's economic construction. It is imperative to develop the offshore fishing industry as well as the breeding industry along coastal beaches; and it is especially necessary to take an active part in exploiting oil and natural gas resources with cooperation in the South China Sea.

7. Always firmly grasp environmental protection work. While developing the economy, it is imperative to continue to pay attention to protecting our natural environment from pollution and damage to maintain the natural ecological balance on land and sea throughout the province.

5. Comprehensive Reform at Country Level Will Be Taken as the Key; Further Complete and Perfect the Structure of "Small Government, Large Community"

The establishment of the new structure of "small government, large community" at the provincial level will lay a comparatively sound basis for further deepening reform of the administrative structure, converting government functions, and improving work efficiency. According to the requirements of the new structure of the socialist market economy, Hainan is facing very arduous tasks for further completing and perfecting the structure of "small government, large community."

1. To further complete and perfect the macroscopic regulatory and control system of "small government, large community," the key lies in ironing out the government-enterprise relations. As the largest economic development zone in China, Hainan also faces the question of how to do a good job of macroscopic regulation and control while accelerating the building, completion, and perfection of the new market economic structure. Presently, Hainan has initially set up the framework of the new market economic structure, and the main tasks for macroscopic regulation and control are to center around establishing, completing, and perfecting the market economic structure, further emancipating the mind, converting functions, streamlining the government, and delegating power to localities and enterprises, especially changing the past pattern of centralized planned control. It is necessary to redefine the functions of various offices and bureaus under the provincial government on the basis of earnestly summarizing work over the past few years based on the principle of taking macroscopic indirect administration as the key, readjusting duplicate or overlapping functions, and resolutely delegating those powers that should go to cities, counties, and enterprises. It is necessary to strictly follow the principle of separating government from enterprise and to turn administrative companies into complete economic bodies as quickly as possible. With regards to the various responsible professional departments, they should be merged, removed, or transferred based on the requirements of the

market economic structure. At the same time, enterprises should be guided to set up various trade associations or guilds, which will harmonize or administer enterprise behavior. The work focus of comprehensive economic departments is to forecast socioeconomic development provincewide and to make proposals of a guiding nature, formulate industrial policy, and augment macroscopic regulation and control, as well as to provide guidance for enterprises. It is necessary to augment the government's economic supervision function as well as its work in industrial and commercial administration, statistics, and auditing.

2. Take the building of the structure of "small organization, but extensive services" as the key to accelerating comprehensive reform at county level. The orientation of institutional reform at city and county levels is "small organization, but extensive services." It is necessary to convert functions, streamline organizations, and reduce administrative interference by leading organs and departments in grass-roots economic work and to further develop a service system based on the objective requirements of market economic development. Regarding establishments, with the exception of such indispensable administrative departments as public security, finance, industry and commerce, and auditing and statistics, all cities and counties should readjust their organizations based on their own actual conditions in accordance with the requirements to convert functions. The establishment of organizations at lower levels corresponding to a responsible department is not called for. It is necessary to appropriately make arrangements for our surplus work force and rationally employ qualified people through developing tertiary industry and initiating economic bodies.

3. Establish a cadre and personal system for government organizations and institutions suitable for a market economy. First, it is necessary to accelerate the spreading of a civil service system in various departments of the provincial government, and then the system will be gradually spread to various cities and counties in a comprehensive way through experimentations. Regarding a small number of institutions that take up administrative functions, they should refer to the civil service system of government organizations and implement administration with a system of appointment through examination as the main. As for institutes of tertiary, secondary, and primary education, the system of appointment should be implemented in the main through open selection of the best candidates for appointment. Institutions run as enterprises should refer to enterprise methods and implement appointment systems for positions and labor contract systems among all workers and staff.

6. Continue To Adhere to the Principle of Attaching Equal Importance to Building Material and Spiritual Civilizations, and Further Augment the Building of Socialist Spiritual Civilization

To quicken up the pace in the opening up and exploitation of the Hainan SEZ, it is imperative to continue to

rely on building the socialist spiritual civilization to provide it with powerful spiritual impetus and intelligent support. Attaching equal importance to building material and spiritual civilizations and elevating the building of socialist spiritual civilization to a new level is insurance for the sustained high growth rate of the Hainan SEZ. The building of spiritual civilization must be conducted closely around the center of economic construction. While doing a good job in the comprehensive improvement of social order, building a clean government, education in social ethics, and enthusiastically pushing forward the development of such undertakings as science and technology, education, culture, physical culture, and public health, it is necessary to continue to exert great efforts to grasp well the building of the legal system and governing the province with law so that its economic life and social activities will all be included in the orbit of doing business according to the law, and a sound social atmosphere will be created for reform, opening up and economic construction across the province.

III. Targets and Major Work for 1993

Based on the requirements of the newly revised Eighth Five-Year Plan, the major indexes of Hainan's economic development in 1993 are as follows: a GDP of 15.7 billion yuan (calculated at 1992 prices) up by 16 percent from 1992, while striving for a still higher increase of 16.5 percent; national income of 12.3 billion yuan (calculated at 1992 prices) up by 15.5 percent from 1992; gross industrial and agricultural output value of 16.72 billion yuan (calculated at 1990 prices), up by 14.6 percent, while striving for a still higher 17 percent increase. At the same time, it is necessary to further accelerate the development of various social undertakings.

Governments and various departments at all levels provincewide should grasp work with real earnest, do substantial work, and do a good job of all work of this year based on the targets to be striven for and the requirements of major tasks.

First, Study in Depth and Implement the 14th Party Congress Spirit in a Comprehensive Way

Governments and departments at various levels should earnestly study the 14th party congress documents and have a profound understanding of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics to genuinely elevate the level of ideological understanding of all cadres and the masses to a new plane. In studying the 14th CPC Congress documents, it is imperative to closely link them to the actual conditions of one's own locality, department, or unit on the basis of studying the original text of the documents; augment solidarity; brace spirit; boldly blaze new trails; and enthusiastically make progress according to the requirements of the 14th CPC Congress, so that work in all arenas across the province will be improved.

Second, Work Hard to Develop High-Output, High-Quality, High-Efficiency Hard Currency-Yielding Agriculture

It is necessary to establish the concept of great agriculture, grasp the theme of developing high-output, high-quality, high-efficiency, hard currency-yielding agriculture; rationally readjust the agricultural structure; promote the comprehensive development of farming, forestry, animal husbandry, sideline production and fisheries; and work hard to fulfill the 1993 gross agricultural output value of 8.11 billion yuan (calculating at fixed 1990 prices), a 6.8 percent increase from 1992, while going all out to strive for a 9.6 percent increase. In grain production, it is necessary to optimize the variety mix, to extend the area planted with fine hybrid breeds, and to strive for an annual gross output of 2.05 million tons. The output of sugar cane and edible oil crops should be steadily increased on the basis of improved quality and economic returns. It is necessary to further develop such tropical cash crops as rubber, coconut, pepper, coffee, areca, cashews, and mangoes. In forestry, it is necessary to quicken the pace in achieving targets in afforestation and striving to fulfill afforestation of an area of 386,000 mu, in addition to air-sowing an area of 200,000 mu. Fisheries should be developed to another new plane, and 500 fishing boats will be renovated or transformed to strive for an annual gross output of 280,000 tons. It is necessary to accelerate the import, cultivation, and popularization of fine breeds; take an active part in developing animal husbandry and farming; and expand winter vegetable production. A system for spreading agricultural technology should be set up, completed, and perfected, and a good job should be done in demonstrating and spreading new technologies. We should continue to build farm produce trade markets and widen transportation channels for farm produce leaving the island. It is necessary to accelerate the development of enterprises in townships and towns; an annual gross output value of 2.9 billion yuan should be fulfilled by enterprises in this category. Leading members of governments at all levels should go deep into the rural areas and the grass roots to promptly discover and grasp the new conditions and study new issues in agriculture and rural economic development so that effective measures for their solution will be adopted. Special attention should be given to protecting the peasants' interests to maintain the stability of policies, and adhering to implementing and fulfilling preferential measures for peasants. Behavior which injures peasants' interests, such as arbitrarily collecting funds, apportioning and meting out fines, occupying farmland, as well as issuing government IOUs, should be halted. Peasants' burdens should be reduced in a down-to-earth way to protect their enthusiasm.

It is necessary to do a better job of supporting the impoverished, and organizations directly under the provincial authorities should augment work in this arena. We should continue to support the development of the "three areas" in policy, funds, qualified people, and technology; augment the capabilities of the "three areas"

for self-development; give full play to their advantages in resources; and gradually shape their local pillar industries. The "three areas" should take an active part in introducing investment from abroad and establishing lateral ties with other parts of the country, and they should quicken the pace in getting rid of poverty and becoming affluent.

Third, Convert Enterprises' Operational Mechanisms, Do One's Best to Improve Economic Returns, and Ensure High-Rate Industrial Growth

It is necessary to earnestly implement the "Rules and Regulations on Industrial Enterprises Under Ownership by the Whole People Converting Their Operational Mechanisms," deepen enterprise reform, and ensure the fulfillment of 8.61 billion yuan in gross industrial output value for 1993 (calculated at fixed 1990 prices), an estimated 23 percent increase from 1992, while going all out to strive for a 25 percent increase. Industrial enterprises provincewide must firmly grasp the center of working hard to improve economic returns, increase variety, augment the development of new products, and promote the division of labor, cooperation, and technological progress between trades and enterprises with famous brands and good-quality products as the locomotive. It is especially imperative to do a good job of grasping the intensive and precision processing of Hainan's products and raw materials in the main and the comprehensive utilization of technological transformation projects. With regards to low-grade products that have long been unmarketable and have no future, their production should be promptly suspended, and a good job should be done in limiting output, cutting back stocks, and promoting sales. It is necessary to augment production statistics, equipment administration, safety production, power distribution, energy conservation, and the comprehensive utilization of resources so that industrial enterprises' ratio of profit and tax against capital will increase by 0.1 percentage point from 1992, industrial circulation funds will speed up circulation by 0.2 cycles, overall labor productivity will increase by 12.2 percent, and net industrial output value will increase by 0.2 percentage points. A good job should be done in eliminating deficits and increasing profits in a down-to-earth way, and categorized guidance should be given to enterprises based on the requirements of a market economy to reduce enterprise deficits to the maximum.

Fourth, Attach Great Importance to the Development of Tertiary Industry

The growth rate of tertiary industry will be greater than primary and secondary industries, and the tourist industry in the tertiary sector will be appropriately developed in advance. Responsibility for key construction projects should be implemented regarding the 10 key tourist development areas decided upon in 1992, and diversified ways of development and multiple economic factors should be allowed to run the tourist industry through joint efforts. It is necessary to conduct

activities in propaganda through various forms with clear purposes, work hard to magnify Hainan's effects on the domestic and international tourist market, and firmly grasp the establishment of tourist showcases in countries (regions) where there are potential customers and major cities on the mainland to increase channels for customers. It is necessary to further improve tourist communications and transportation conditions, develop intensively chartered and scheduled flights, and increase charters between Hainan and Hong Kong. It is necessary to set up high-grade international tourist vehicle centers rendering top-rate service to ease strained transportation conditions for tourists on the island. A good job should be done in the import and training of professionals for the tourist industry, and the scientific and standardized administration of the tourist industry should be gradually realized to augment the attraction of Hainan's tourist industry.

It is necessary to further invigorate the circulation of urban and rural commodities and to develop communications and transportation. The dominant role of state-owned and collective commercial enterprises should be given full play; at the same time, it is necessary to continue to give play to the roles of other economic organizations and factors, including individual households and the private sector of the economy, in invigorating circulation. Markets outside the province should be further opened up, and various forms of horizontal integration and economic cooperation should be further developed inside the province and between Hainan and other provinces and cities in such arenas as operations, purchasing and marketing, widening marketing channels, and accelerating the building of country markets as well as commercial networks. Communications and transportation should be developed intensively; it is necessary to continue to grasp work in increasing scheduled flights from Haikou and improving service and quality. We should grasp well preparations for moving Haikou airport so that the new airport will break ground as early as possible. Hainan's water transportation capacity should be augmented: an island-type transportation system characterized by maritime transportation mainly taking care of outward-bound transportation; highways chiefly taking care of transportation within the island; aviation chiefly taking care of international passenger transportation; and railroads taking care of mass freight transportation to promote economic development and provide convenience for the masses.

It is imperative to correctly guide the rapid development of the real estate business at present. Based on the principle of "being relaxed in examination and approval, but strict in administration," it is necessary to implement dynamic controls and to begin tracking services for enterprises of real estate development. Related decrees and regulations should be completed and perfected; a real estate market should be set up, completed, and perfected; administration of land use should be augmented and the transparency of real estate transactions improved; speculation should be restricted; and losses in tax collection should be reduced.

Fifth, Accelerate the Building of Key Projects, and Improve Economic Returns From Investment

In Hainan's plan for 1993, investment in fixed assets for the whole society will be 8.2 billion yuan (excluding investment in the Yangpu Economic Development Zone,) up 26.1 percent from 1992. Of which, 4.4 billion yuan will go on capital construction, up 39.7 percent; 600 million yuan will go to technological transformation, up 27.3 percent; and 2.6 billion yuan will go for investment in commodity housing, up 15 percent. The number of key projects arranged is 15, including the Daguangba Hydropower project, the east line expressway, Sanya Fenghuang Airport, and natural gas and chemical fertilizer plants. In addition, there are 11 large and medium-sized projects that are under way or have just broken ground, including the Machun-Ermaoling 20 kilowatt power-transformation project, and the Machun coal wharf, with a capacity of 35,000 tons, in addition to 40 large and medium-sized projects in the first-phase of construction, including the Qiongzhou Strait train ferry and a provincial exhibition hall, library, and museum. Whether or not these key, large, and medium-sized projects will be completed according to schedule will have a direct bearing on the smooth fulfillment of the revised Eighth Five-Year Plan and the Ninth Five-Year Plan. This being the case, it is imperative to accelerate the building of key projects, complete and perfect the self-restrictive mechanism of various subjective aspects in investment, implement the responsibility system for the owners of a construction project, and work hard to improve economic returns from investments. We will experiment with the shareholding system for joint investment projects and will augment engineering consultancies and budgeting and auditing supervision of construction projects. Governments and related departments at all levels should strengthen harmony and cooperation, take the overall situation into consideration, and resolve specific issues surfacing in construction in a down-to-earth way.

Sixth, Further Develop Foreign Trade, Introduce Investment From Abroad, and Intensively Establish Lateral Ties With Other Parts of the Country

It is imperative to further develop foreign trade. In 1993, Hainan should fulfill a gross value of \$1.05 billion in foreign trade exports, up 16.7 percent from 1992, and a gross value of \$950 million of imports, up by 18.8 percent. Exports should be "supported by industry," a principle that must be adhered to; export-production bases should be run well; and the ability of local products to bring in hard currency should be improved. Arrangements for commodities listed in the plan should lean toward local products and enterprises that are operationally strong and capable of opening up overseas markets. Those companies that are good should be allowed to directly operate in the export trade so that more enterprises with the potential to bring in hard currency will join the ranks of foreign trade and ever expand our province's scope for bringing in hard currency. We should work hard to improve our internal operations and

management and to lower export costs. The export market should be further opened up and export competitiveness improved.

It is imperative to do a good job of introducing investment from abroad and establishing lateral ties with other parts of the country in diversified ways and through multiple channels; it is especially necessary to firmly grasp work in the preliminary phase of introducing investment in key projects and to strive to utilize more foreign loans in the state's unified arrangements. Regarding short-term, export-oriented projects involving little investment and with quick returns, foreign commercial loans should be boldly employed. The method of jointly deliberating projects should be adhered to, completed, and perfected, as should the usual international practice of "approving the founding of a company first and its projects later." Procedures for the import and export of goods and materials should be simplified, and the proportion of the products of foreign-funded factories for the home market should be appropriately expanded to exchange markets for technology and capital. Favorable policies should be implemented for those large and medium-sized projects of a production nature, and those of the advanced-technology and export-oriented type. The closure and separation of the Yangpu Development Zone and the Haikou Bonded Areas from other parts of the island should be completed, and their operations should begin before July this year. Infrastructure in seven aspects and site preparation for the Yangpu Development Zone, as well as work to invite investment in the first batch of land development projects, should be stepped up. Infrastructure in the Haikou Bonded Area should be basically completed so that the initial scope of the area will take shape. With regards to the Sanya Longwan National Tourist Holiday Area, it is necessary to complete its planning and make marked progress in building its infrastructure according to the spirit of the State Council's instructions. It is necessary to continue to firmly grasp the completion and perfection of the implementation plan for the special tariff zone and to work hard for a breakthrough in 1993. We should continue to encourage foreign businessmen to contract for the development of whole tracts of land, and to invest in industry, especially the technology-intensive type and export-oriented industries. A breakthrough was recently made in the development of the Haikou Comprehensive Oil Refinery Works, which has a capacity of 6 million tons. With its equipment and funds basically implemented, and the company registered, the enterprises will officially break ground in the first half of this year.

In work concerning Overseas Chinese affairs and foreign affairs, it is necessary to adhere to the principle of serving economic construction and playing a still greater role in expanding opening up. We should do a good job of running the third conference for the World Association of Overseas Chinese of Hainan Origin in a down-to-earth way, and should augment extensive ties with natives of Hainan and Overseas Chinese of Hainan

origin. We should make friends extensively augment Hainan's foreign exchanges and cooperation in the economy and science and technology through receiving foreign guests and nongovernment ties; do a good job of grasping the import of foreign intelligence and sending people abroad for training; and simplify procedures for deliberating and approving Chinese employees of foreign-funded enterprises, people investing in Hainan from other provinces, and Hainan people going abroad.

Seventh, Enthusiastically Push Reforms in the Price, Housing, Personnel, and Labor Systems

On the basis of consolidating the results of merging dual-track prices for 19 categories of the means of production in 1992, we should conduct price reform in tertiary industry as the key, and resolve the problem of a long-standing insufficiency in price compensation in some aspects; reforming grain prices is to chiefly change the existing practice of having the same prices in grain purchasing and marketing as market regulated prices. It is necessary to earnestly implement a plan to reform the urban housing system, and plans from various cities and counties will be presented one after another.

Preparations for reform of the civil service system of provincial government organizations and the Yangpu Development Zone Administration should be made in the first six months of the year, and reform will be spread in batches in the second half of the year. At the same time, regulations for resignations, firings, and unpaid leave for government workers should be formulated and implemented, and government workers are encouraged to flow to townships and towns, enterprises, grass-roots units, and tertiary industry. It is necessary to introduce competition and stimulating mechanisms and to spread the work appointment and employment system for managers, scientists, and technicians in enterprises and institutions in a planned way in Hainan.

On the basis of summarizing our experiences in experiments, enterprises under the provincial government's jurisdiction, and those in Haikou and Sanya, are to push comprehensive reforms of enterprises' labor, personnel, wage distribution, and social security systems, whereas other cities and counties are gradually spreading such reforms according to their own conditions. Social security measures for government workers and individual industrial and commercial households will be studied and formulated. A labor service market system with job recommendation as the core will be set up, completed, and perfected provincewide to realize rational labor flows, and administrative order for the labor service market will be set up, completed, and perfected.

Eighth, Promote a Sound Financial Cycle, Develop Monetary Undertakings, and Ease Contradictions in the Supply and Demand of Construction Funds

It is necessary to formulate a financial budget for Hainan based on a plural budgetary system and to spread the plural budget system in those cities and counties where conditions are ripe; extrabudgetary expenditures must

be kept strictly under control. Readjustment of the fourth financial contract responsibility system must be grasped well to promote a sound cycle of finance at city and county levels. Financial supervision should be augmented, and the contract responsibility system for administration funds must be completed and perfected and irrational expenditures kept strictly under control. It is necessary to support some cities and counties whose conditions are better in economic development, achieve a financial balance in each city and country, and help backward cities and counties improve their ability in financial self-sufficiency.

It is necessary to strengthen control over tax collection and to organize income in a big way; key tax resources should be grasped well, especially the collection and administration of taxes on the transfer of land use rights, real estate transactions, and architectural installations. A good job should be earnestly done in work concerning tax collection and in control over individual taxes, individual income regulating taxes, and taxes on special farm and forest products. We should adhere to administering taxation according to the law and should be strict with laws and discipline concerning taxation.

The province's national bank is to implement the administration of separate departments in its loan scope, with more loans made to those units with greater deposits. It is necessary to unfold operations in day-to-day loans between banks, and to further develop the foreign exchange regulatory market, accelerate the development of securities markets, and develop diversified monetary organizations. Funds should be collected through diversified forms and various channels to ease supply-demand contradictions in SEZ construction funds. It is necessary to further readjust the credit loan structure and to implement a lending policy of "showing discrimination according to different cases, supporting the advantageous, but restricting the inferior," while continuing to support the building of infrastructure. It is necessary to give focal support to the development of large and medium-sized backbone enterprises, high-output agriculture, good quality, high returns yielding hard currency, industrial enterprises and township and town enterprises whose products are marketable, and tertiary industry. It is necessary to strengthen investigations before making loans, examine the cases in the course of making loans, check the means of making the loan, and utilize the credit loan lever to help and supervise enterprises to use their funds in production operations to produce marketable products and improve their results in employing capital.

Ninth, Firmly Grasp the Revision of Economic Development Plans as Well as Plans for City Building at City and County Levels, and Do a Good Job of Environmental Protection

Governments of all cities and counties should revise their own Eighth Five-Year Plans, agricultural development plans, and the development of social undertakings in line with the requirements of the 14th party congress

and the province's newly revised Eighth Five-Year Plan and 10-Year Program, as well as their actual conditions, and should adopt practical and feasible measures to earnestly implement them.

It is imperative to strictly implement the "Law on Land Administration," and "Law on City Planning," and to retain sufficient land for key industrial projects, proceed from the long-range development goal in accordance with the requirements of "unified planning, rational layout, comprehensive development, wide-ranging construction," and revising the general plans for the urban development of various cities and counties with high starting points and criteria. It is imperative to do a good job of building infrastructure by adhering to planning first and undertaking construction second, based on the plan's requirements. Land administration must be strengthened and land rationally used.

It is necessary to strengthen work concerning environmental protection, continue to unfold comprehensive environmental improvements, augment the treatment and improvement of key polluted areas, as well as sources of pollution, and do a good job of improving drinking water resources so that the environmental quality in its entirety maintains its soundness during supranormal economic development.

Tenth, Accelerate Progress in Science and Technology, and Develop Education Intensively

Science and technology are the primary productive forces. To invigorate the SEZ's economy, it is primarily necessary to invigorate science and technology. Governments and cadres at all levels should augment their sense of science and technology, strengthen leadership in science and technological work, and continue to increase input in science and technology in various aspects. It is necessary to deepen restructuring of science and technology and to set up, complete, and perfect mechanisms for the effective combination of science, technology, and the economy. It is necessary to continue to organize and implement such projects as "Spark," "Torch," "Bumper Harvest," and "Prairie Fire"; tackle major technological bottlenecks; and do a good job in the digestion, absorption, and blazing of new trails in imported advanced technology. We should accelerate the building of infrastructure in the Haikou International Science and Technology Industrial District, and work hard to put some domestic projects into production in 1993. Preparations for such projects as the Hainan National Spark Exemplary Area, Jianfengling National Forest Park, tropical rain forest protection and development in Jianfengling, an engineering center for breeding farm crops in South China, and a Haikou science and technology street should all be accelerated and launched as quickly as possible. It is necessary to grasp training work in science and technology in a down-to-earth way, further strengthen the building of a scientist-technician contingent, and confer great prizes on scientists and technicians who have made outstanding contributions.

Fundamentally speaking, scientific and technological progress, economic prosperity, and social development depend on the improvement of worker quality and nurturing a large number of qualified people. Governments at all levels must place education in a strategic position of top priority, continue to increase inputs to education, advocate running schools with funds collected through various channels, further boost teaching equipment, improve conditions for running schools, improve the treatment of teachers, and stabilize the teaching rank and file. In 1993, we will complete new school buildings with a floor space of 100,000 square meters and transform hazardous school buildings with a floor space of 260,000 square meters; consequently, the proportion of hazardous buildings in primary and secondary schools provincewide will be reduced to 6 percent. Schools in all categories at all levels should implement the party's educational principles and improve teaching quality in a comprehensive way. It is necessary to enthusiastically spread compulsory nine-year education on the basis of spreading primary education. It is necessary to grasp the development of vocational and technical education as the key, expand the enrollment scope of intermediate vocational and technological schools, and work hard to find a new way of combining production and education, with joint efforts by enterprises in running schools while relying on schools self-development. It is necessary to continue to do a good job in the layout of institutes of tertiary education and in the readjustment of their specialized structure in order to augment their vitality. It is necessary to augment preschool education and do a good job of eliminating illiteracy among young and middle-aged people in rural areas.

Eleventh, Make Culture Prosper in the SEZ, and Promote the SEZ's Physical Culture and Public Health Undertakings

It is necessary to continue to unfold education in the party's basic line, patriotism, and the province's basic conditions among the broad cadres and masses. We will continue to unfold activities of building civilized villages, towns, streets and units as well as Army-people, police-people joint efforts in building civilization. Old customs and habits should be eliminated, a new atmosphere of socialist civilization should be established, and new men with lofty ideals, ethics, education, and discipline should be brought up.

It is necessary to prosper SEZ cultural life and to adopt various ways of encouraging writers and artists to go deep into reality and to turn out more works, and good works at that. We should continue to grasp well the administration of the cultural market and the building of cultural installations. Radio and television broadcast work should closely center around the center of SEZ economic construction, while continuing to enrich their programs and improving quality; efforts should be made to file a number of outstanding news reports and news items for national broadcast. Press and publications work should leave the office and invite people in to

increase the publication of books, especially key ones, and to do a good job of circulation work to provide more spiritual food for the broad masses. We should continue to do a good job of archive work, literature, history, and the writing of local history.

It is necessary to extensively unfold physical culture of a mass nature in both urban and rural areas to improve the people's physiques. It is necessary to augment the building of a contingent of sportsmen and to elevate their athletic level. The first provincial sports meet should be run well.

An earnestly good job must be done in medical and public health work. It is necessary to do well work in changing water supplies and toilets in rural areas and in spreading activities informing advanced cities, county sites, and units about hygienic conditions. We should continue to augment the building of hospitals in townships and towns, and urban medical organizations should work hard to improve their level and quality of medical service and to improve the people's health level across the province.

Rural areas should be taken as the key in family planning, plans to control the population through the sterilization of women who have given birth to two daughters should be augmented as a breakthrough, all family planning measures should be implemented in a comprehensive way, and efforts should be exerted to raise the planned parenthood rate. It is necessary to pursue, complete, and perfect the responsibility system with target controls over the population and planned parenthood. We should continue to grasp well control over planned parenthood of the shifting population, and work to collect fees for unplanned births according to the law. We should work hard to keep the population under 6.888 million by the end of the year (calculated according to the census registration) and should keep the natural population growth rate under 1.7 percent.

Twelfth, Continue To Improve the Soft Environment in the SEZ

It is necessary to earnestly implement the "Law on Autonomy for Nationality Regions" and the "Decision on Several Issues for Accelerating the Economic and Social Development of Nationality Regions" from the provincial party committee and government; grasp well work in support of the impoverished, plans for housing transformation in nationality areas, and its implementation; strengthen solidarity between various nationalities; and promote the rapid socioeconomic development of Hainan's nationality areas. It is necessary to earnestly implement the party's policy on religion and to administer religious affairs according to law.

It is necessary to augment Army-people, Army-government solidarity, do a good job of work supporting the Army and giving preferential treatment to the families of revolutionary soldiers and martyrs and work arrangements for demobilized servicemen, augment defense education, support the building of the Army

stationed in the province, and further give play to the special role of the People's Army in reform, opening up, and economic construction.

It is imperative to grasp the comprehensive improvement of social order in a down-to-earth way. We should adhere to the "severe crackdown" policy and deal heavy blows to all kinds of criminal activities and economic crimes. Reform-through-labor work and education-through-labor work should be strengthened. It is necessary to do a good job in building a contingent of political and law workers, earnestly implement all sorts of responsibility systems with social order, magnify control over social order, and create a still better environment of social order for Hainan's reform, opening up, and economic construction.

It is necessary to augment the building of democracy and the legal system. Governments at all levels should consciously administer according to the law and should accept the supervision of the people's congress and its standing committee, adhere to reporting work to the people's congress and its standing committee, and earnestly implement their resolutions. We should continue to firmly grasp the SEZ's legislature and augment judicial, administrative, and legal notary work to provide highly efficient, good quality legal services for the SEZ's market economy. It is necessary to continue to earnestly implement the "two-or-five-year" plan for popularizing the legal system and to augment the legal system concept for the broad cadres and masses.

Governments at all levels should augment the building of clean government, convert their functions and their work style, and continue to grasp well work to correct arbitrary charges, fines, and apportioning, as well as unhealthy tendencies in trades. We should resolutely expose corrupt behavior of all sorts and should mete out penalties according to the law to those criminals who have committed corruption and bribery. It is necessary to further complete the system for clean government and complete and perfect the supervision mechanism so that there are regulations to follow in building clean government, and work in this arena should be constantly grasped. We should work hard for the people, oppose bureaucratism, augment our sense of rendering service, and improve work efficiency.

Deputies, our pioneering work over the past five years has laid a solid foundation for the economic development of the great Hainan SEZ. The tasks facing us from now on will be all the more arduous and glorious at that; stern challenges will be accompanied by rare opportunities. So long as we earnestly implement the 14th party congress spirit, with Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as the guide, take construction as the center, emancipate the mind, seek truth from facts, and work hard and persevere in a down-to-earth way, we are sure to basically fulfill the glorious tasks of modernization through another 20 years of effort.

No Agreement Reached on F-16 Technology

*OW2503093893 Taipei CHINA POST in English
20 Mar 93 p 16*

[Text] Defense Minister Sun Chen yesterday admitted that the U.S. has not agreed to provide a technology transfer in the F-16 fighter planes deal.

However, Sun added that the Aero Industry Development Center (AIDC) did reach an "understanding" with F-16 manufacturers on March 1 to hold further discussions on the issue.

Sun made his statements yesterday in response to legislator Ting Shou-chung's criticism that the military completely neglected the importance of a technology transfer while making the U.S.\$6 billion deal.

Sun admitted that the U.S. did not offer a technology transfer as part of the deal when it was first struck in September of last year.

However, Sun also said the Clinton administration has given Lockheed, the maker of F-16s, permission to negotiate with Taipei on providing postsale maintenance of the planes.

In related news, the Defense Ministry yesterday said Taipei will rent T-38 training fighters from the U.S. before the F-16s and France's Mirage 2000-5s arrive in three years.

The ministry made the announcement to clarify President Li Teng-hui's comment that "new planes are coming soon" when he visited Chang Fu-yi, a pilot who survived a F-104 crash, in a hospital earlier this month.

The ministry said Li was referring to the T-38s, not the F-16s or the Mirage 2000-5s, when he made that comment.

The T-38s are an earlier, training version of the series of F-5 fighter planes which the U.S. has been selling to its allies. The T-38s are strictly training planes and carry no weapons or radar.

The ROC [Republic of China] Air Force said it is undertaking an overall inspection of the F-104 fighters after Chang's crash, and may soon discontinue the service of the antiquated fighters.

In the meantime, the ROC Air Force will use the T-38s to train its pilots until the new fighter planes arrive.

Jiang Zemin Predicted To Become PRC President

*OW2403020793 Taipei China Broadcasting
Corporation News Network in Mandarin 2300 GMT
23 Mar 93*

[From the "Hookup" program]

[Text] News from the mainland: The First Session of the Chinese Communists' Eighth National People's Congress [NPC] will officially approve five major appointments on 27 March—the state president and vice president, the chairman of the Central Military Commission, and the chairman and vice chairmen of the NPC Standing Committee.

According to the latest authoritative information, the rumor that Hu Chin-tao [Hu Jintao] will be appointed state vice president is not quite true; instead, his new position will be first vice chairman of the NPC Standing Committee. One surprising personnel arrangement is that Yang Pai-ping [Yang Baibing], former secretary general of the CPC Central Military Commission, will also be appointed a vice chairman of the NPC Standing Committee, which is the only request made by President Yang Shang-kun before his upcoming retirement.

According to CPC authoritative sources, the high-level appointments to be approved on 27 March will be:

President of the state: Chiang Tse-min [Jiang Zemin]
Vice president of the state: Jung I-jen [Rong Yiren]
Chairman of the State Central Military Commission: Chiang Tse-min
Chairman of the NPC Standing Committee: Chiao Shih [Qiao Shi]
Vice chairmen of the NPC Standing Committee will number 20, including Hu Chin-tao, Tian Chi-yun [Tian Jiyun], Wang Han-pin [Wang Hanbin], and Yang Pai-ping.

Editorial Endorses Revising 'Three Nos' Policy

*OW2503054393 Taipei CHINA POST in English
20 Mar 93 p 4*

[Editorial: "Revise Policy of 'Three Nos'"]

[Text] Chiu Chin-i, secretary general of the Strait Exchange Foundation, said unequivocally yesterday morning that the government should revise its 'three nos' policy toward the mainland at an "appropriate" time. Chiu stressed later that this was his own personal view, but the statement seemed to indicate an upcoming change in the policy.

Chiu's remark, which came at a time when Ku Chen-fu, head of the foundation and Wang Tao-han, [Wang Daohan] head of the mainland's Association for Relations Across the Taiwan Strait, were about to meet face to face, signaled a major readjustment of Taipei's official attitude about interaction across the strait.

So far the government here has insisted that there be no (official) contact, no negotiation and no compromise with Beijing. This policy has been designed to thwart the Communists' united front tactics and to give Taipei the strength and leverage it needs to deal effectively with the Communists.

As Chiu pointed out, it is no longer necessary to maintain a strict no contact policy. Official contacts, in fact, have occurred in various forms for years between the two sides of the strait.

Some of Taipei's officials have already crossed the strait for international meetings held in Beijing and attended by the mainland's officials. Formal official contacts are unavoidable if Taiwan and the mainland are to improve ties and bring about reunification.

Chiu said the 'three nos' policy has already completed its mission and so a revision is in order. We agree. Conditions on Taiwan and the mainland have undergone drastic changes since that policy was adopted. Taiwan has democratized and the mainland is a much more open society. Moreover, cross straits visits have become so frequent that the psychological wall that used to exist is shrinking.

The time has come for a major change in the government's stance on contacts with the mainland. Adhering to the 'three nos' policy will only hamper the development of Taiwan-mainland ties.

Although Chiu insisted that what he said was his own opinion, there is reason to believe the government is actually making a fundamental readjustment in its mainland policy. Let us hope the outdated 'three nos' policy will be abandoned in the near future.

Foreign Orders Boost Jan-Feb Exports

OW2503091093 Taipei CNA in English 0749 GMT
25 Mar 93

[Text] Taipei, March 25 (CNA)—Foreign orders for Taiwan products registered a 9.8 percent increase in the first two months this year, with the total volume reaching U.S.\$13.5 billion, according to statistics

released Wednesday by the Directorate General of Budget, Accounting and Statistics (DGBAS).

The big growth is largely due to the increase in orders coming from the United States and Mainland China as a result of the economic recovery in America. Orders coming from the U.S., Hong Kong, Europe and Japan made up 76 percent of the total orders received.

Orders from the United States topped other areas to reach NT\$4.38 billion [new Taiwan dollars], representing an increase of 4 percent over the same period last year. Hong Kong was second with the total amount reaching 2.18 billion, posting an impressive rise of 44 percent.

Nevertheless, orders placed by both European and Japanese buyers registered a negative growth of 2.7 percent and 15.8 percent respectively as compared to the same period last year, indicating that the economy in the two areas has not yet rebounded from the recession, DGBAS pointed out.

In addition, according to customs tallies, both local exports and imports in the first 20 days this month registered double-digit growth to reach more than U.S.\$5 billion and U.S.\$4.5 billion respectively.

Judging from the current booming export trend as well as the continued devaluation of the new Taiwan dollar, the total export amount in March is expected to break the U.S.\$7.48 billion mark posted last November—the highest export amount registered in a single month, the Council for Economic Planning and Development reported.

Hong Kong

Commentary Cites Patten's 'Pack of Lies'

HK2503032393 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 25 Mar 93 p 5

["Commentary on Hong Kong" by Wei Ran: "Patten Tries To Hide His Intention, But He Only Makes It More Conspicuous"]

[Text] A Chinese idiom derived from a folk tale goes that "no 300 taels of silver buried here," and this is said to be the sign put up by a man who tried to hide some money, and it vividly depicts a guilty person who gives himself away by clumsily protesting his innocence. Ironically, a contemporary British man now just repeats what the stupid fellow did in the age-old Chinese folk tale.

On 18 March, in an interview with a Hong Kong television station, Chris Patten said: "We will govern Hong Kong under the sovereignty of Britain until 30 June 1997, and we will go on trying to deliver our responsibilities to the people of Hong Kong. This is a glorious, graceful, and capable form."

On 22 March, Zhou Nan, director of the XINHUA Hong Kong Branch, who was attending the National People's Congress session in Beijing, after learning about this, sternly pointed out: If the report is true, then Patten must have violated the relevant provision of the Sino-British Joint Declaration, which stipulated that in 1997, Britain will return the responsibility of governing Hong Kong to the PRC, and then the Chinese Government will effect the Hong Kong people's self-government according to the relevant provisions of the Basic Law. Patten's remark meant that he would try to make an illicit transfer of the responsibility of governing Hong Kong to some local people so that Hong Kong may be turned into a semi-independent political entity.

On the same evening, the spokesman for the Hong Kong governor said that the original meaning of Patten's remarks was misrepresented, and there is a mistake in translation. He argued trickily that Patten's remark was: "We will go on trying to perform our responsibilities to the people of Hong Kong with an upright, serious, and proper attitude."

In order that the general public can make their own judgment, the television concerned rebroadcast part of the interview. Clearly, Patten said: "We will go on trying to deliver our responsibilities to the people of Hong Kong" [quote published in English]. Anyone with a basic knowledge of English may judge which is the correct translation. While defending the Hong Kong governor, the spokesman argued: "The Hong Kong governor did not say anything that can be regarded as challenging the provision of the Joint Declaration on the transfer of sovereignty in 1997." "The governor is wholeheartedly carrying out the Joint Declaration in the full." From these footnotes, people may find out Patten's real intention, which he himself gave away. His remark just laid

bare the political attempt of the colonialists who are trying to "deliver the political power to Hong Kong." And his clumsy performance of trying to cover up his real intention but only making it more conspicuous also vividly exposed their ugly features.

Being the last governor dispatched by Britain to exercise colonial rule in Hong Kong, Chris Patten has no right and no power to say and effect "delivering the responsibility of governing Hong Kong to the people of Hong Kong."

What must also be pointed out is that when saying that he would deliver the responsibilities to the "people of Hong Kong," Patten did not refer to the general public of Hong Kong but to a few proxies they foster. As almost everybody knows, in recent years, to groom their proxies, the British side has made painstaking efforts: It connived at the establishment of an organization by those people to challenge and resist China; it invited those people to London and accorded a high-level reception to them; it came up with a constitutional reform package in order to ensure their elections even after 1997. Why did the British side only care about these several people among the millions of people in Hong Kong? Just because those few peoples are ignorant of the history of their own country, and are holding a pro-Britain and anti-China position. They can thus become the proxies for the British interests in the future. In 1997, even after the British people quit, Britain can still continue to control Hong Kong through these people, thus prolonging its colonial rule in another form.

However, what Patten said and did already laid bare the real features of the colonialists. He kept talking about "developing democracy in Hong Kong" and "seeking benefit for the people of Hong Kong," but all this was just a pack of lies.

Commentary on Roles of New Monetary Authority

HK2503030293 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0831 GMT 22 Mar 93

[Commentary by Yu Cheng (6735 2052): "The Hong Kong Government's Establishment of the Hong Kong Monetary Authority Is Conducive To Stabilizing Situation Hong Kong Financial and Monetary"]

[Text] The Hong Kong Monetary Authority, which has been under preparation by the Hong Kong Government for quite some time, will be formally set up and put into operation at the beginning of next month. It is believed that this institution's establishment will be conducive to stabilizing Hong Kong's financial and monetary system and will serve, to a certain extent, as one of the key foundations for social and economic stability and prosperity.

It is obvious that the establishment of the Hong Kong Monetary Authority did not take up excessive financial resources of the Hong Kong Government. The reason is that this complete department came into being by

merging the existing Office of the Exchange Fund and the Office of the Commissioner of Banking. This move will help the financial management authorities carry out activities in the open market of the banking industry in a more effective way, and attain the goal of maintaining a stable exchange rate of Hong Kong dollars [HK\$] against U.S. dollars under the pegged exchange rate system.

During the past nine years since the Hong Kong Government adopted the pegged exchange rate system under which U.S.\$1 can be converted into HK\$7.8, to safeguard the stability and prosperity of Hong Kong, the financial management authorities have devoted great efforts to working out and implementing various necessary and effective monetary policy means; therefore, expected results can be achieved in due course. Through centralizing the once decentralized powers, human and financial resources, and other factors, the newly established Monetary Authority will be able to obtain more accurate information on the present state and future changes of the banking industry, and to make timely efforts to maintain the orders of the industry when necessary.

As a matter of fact, over the past five years, the Hong Kong Government has changed from a relatively low-key financial and monetary supervision and management into an increasingly more transparent operation. This is a reform not to be ignored. What merits special comments is that the financial management authorities have adopted new accounting arrangements, under which the structure of "final creditor" has been introduced to Hong Kong's interbank Hong Kong dollar currency market; and the Hong Kong Government can, through regulations on the balance of relevant Hong Kong dollar accounts, maintain a balance between supply of and demand for Hong Kong dollars, keep control over changes in interest rates, and stabilize the exchange rates of Hong Kong dollars. This measure has indeed yielded ideal results.

Another system of equal importance is the regulatory mechanism of floating funds, which was adopted by the financial management authorities in the past year and more. With this new mechanism, the financial management authorities can regulate overnight floating funds in the Hong Kong dollar currency market at any time, so as to create conditions to expected arbitrages and thus enable interbank interest rates to play their role in stabilizing Hong Kong dollars in current market. The

Hong Kong dollar accounts under the new accounting arrangements are tools of the financial management authorities to control long-term funds in the Hong Kong dollar currency of the banking industry.

By merging the Office of Exchange Fund and the Office of the Commissioner of Banking, the Monetary Authority will be able to make full use of the information, human, and financial resources of the two departments, and better handle its work in line with the market situation as well as with concrete developments. At the present stage, the new organ is apparently making preparations for new market reforms, including consideration of adopting measures to arrange and expand exchange fund securities and bonds according to market prices, and make them applicable to legal institutions such as the Mass Transit Railway Corporation with a view to enhance the flexibility of bonds issued by these institutions. Such a move will help promote the development of Hong Kong dollar capital market. The capital market has been under cultivation in Hong Kong for quite some time, yet no major achievements have been attained during the period. Therefore, some improvement needs be done in this aspect.

The authorities have also designed and set up a centralized trust system in a bid to establish in Hong Kong a Hong Kong dollar loans and securities market without the use of bills. It is believed that such a market should be developed on the basis of exiting transactions of exchange fund securities, and such a move serves to be an important step toward modernizing and internationalizing the monetary industry. During the course of developing the loans and securities market without the use of bills, we should devote great efforts to ensuring the computer security so as to guarantee the interests of all parties concerned.

Correction to UK Urged To Recall Patten *OW2403174193*

The following correction pertains to the item headlined "UK Urged To Recall Patten To Preserve Image," published in the 23 March China DAILY REPORT, page 102:

Paragraph two, penultimate sentence should read: ...This is just like a prostitute who, after having sold her body all her life, decides to quit and close her business and then suddenly tells everybody she wants to be chaste and to protect her body as if it were jade. Is this not.... (adding dropped phrases and rewording sentence)

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